

MONTHLY DIRECTORS' REPORT

FEBRUARY 1989

CONFIDENTIAL

PHILIP MORRIS
COMPANIES INC.



2048049771

PHILIP MORRIS COMPANIES INC. AND SUBSIDIARIES
FINANCIAL STATEMENTS
TABLE OF CONTENTS

<u>P.M. COMPANIES INC. AND SUBSIDIARIES</u>	
Consolidated Balance Sheets	1
Free Cash flow	2
Consolidated Operating Revenues and Income from Operations Charts	A
Consolidated Highlights	A-1
Consolidated Statement of Income	A-2
Summary of Operating Revenues	A-3
Summary of Income from Operations before Interest, Goodwill and Corporate Expense ("Income from Operations")	A-4
Summary of Earnings Before Income Taxes	A-5
Status of Capital Appropriation Requests	A-6

<u>PHILIP MORRIS U.S.A.</u>	
Operating Revenues & Income from Operations Charts	B
General Highlights	B-1
Comparative Statement of Operations	B-2
Cigarette Unit Sales	B-3

<u>PHILIP MORRIS INTERNATIONAL INC.</u>	
Operating Revenues & Income from Operations Charts	C
General Highlights	C-1
Comparative Statement of Operations	C-2
Regional Summary of Operating Revenues	C-3
Summary of Operating Revenues of Selected Affiliates	C-4
Regional Summary of Income from Operations	C-5
Summary of Income from Operations of Selected Affiliates	C-6
Regional Summary of Net Earnings	C-7
Cigarette Unit Sales:	
Worldwide, Region and Selected Markets	C-8
Glossary of Regions	C-9

<u>GENERAL FOODS CORPORATION</u>	
Operating Revenues & Income from Operations Charts	D
Comparative Statement of Operations	D-1
Summary of Unit Volume, Operating Revenues and Income from Operations	D-2

<u>GENERAL FOODS WORLDWIDE COFFEE & INT'L</u>	
Operating Revenues & Income from Operations Charts	E
General Highlights	E-1
Comparative Statement of Operations	E-2
Summary of Unit Volume, Operating Revenues and Income from Operations	E-3
Market and Share Activity	E-4
Operating Structure and Key Franchises	E-5

<u>GENERAL FOODS USA</u>	
Operating Revenues & Income from Operations Charts	F
General Highlights	F-1
Comparative Statement of Operations	F-2
Summary of Unit Volume, Operating Revenues and Income from Operations	F-3
Market and Share Activity	F-4
Operating Structure and Key Franchises	F-5

<u>OSCAR MAYER FOODS</u>	
Operating Revenues & Income from Operations Charts	G
General Highlights	G-1
Comparative Statement of Operations	G-2
Summary of Unit Volume, Operating Revenues and Income from Operations	G-3
Market and Share Activity	G-4
Operating Structure and Key Franchises	G-5

<u>KRAFT, INC.</u>	
Operating Revenues & Income from Operations Charts	H
General Highlights	H-1
Comparative Statement of Operations	H-2
Summary of Unit Volume, Operating Revenues and Income from Operations	H-3
Operating Structure and Key Franchises	H-4

<u>MILLER BREWING COMPANY</u>	
Operating Revenues & Income from Operations Charts	I
General Highlights	I-1
Comparative Statement of Operations	I-2
Barrel Shipments and Retail Sales	I-3

<u>PHILIP MORRIS CREDIT CORPORATION</u>	
Revenues & Net Earnings Charts	J
General Highlights	J-1
Comparative Statement of Operations	J-2
Revenues - Detail	J-3

<u>MISSION VIEJO REALTY GROUP INC.</u>	
Operating Revenues & Net Earnings Charts	K
General Highlights	K-1
Comparative Statement of Operations	K-2

<u>HEADQUARTERS COMBINED</u>	
Headquarters Combined Expense, Net	L

NOTE: The Consolidated Statement of Income is the Company's primary statement of earnings.
Other statements, summaries and commentaries are presented as supplemental information.

2048049773

P.M. COMPANIES INC.
CONSOLIDATED

Philip Morris Companies Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(in millions of dollars, except ratios)

	February 28, 1989	December 31, 1988	February 29, 1988		February 28, 1989	December 31, 1988	February 29, 1988
ASSETS				LIABILITIES			
<u>Consumer Products</u>				<u>Consumer Products</u>			
Cash and cash equivalents	\$455	\$168	\$667	Short-term borrowings	\$436	\$433	\$1,317
Receivables, net	2,606	2,222	1,943	Current portion of long-term debt	557	127	531
Inventories:				Accounts payable	1,592	1,777	765
Leaf tobacco	2,444	2,435	2,464	Payable for untendered Kraft shares	104	435	-
Raw materials	1,404	1,345	675	Accrued liabilities	3,763	3,848	2,102
Operating supplies	233	233	190	Income taxes payable	1,118	1,089	854
Work in process	71	75	68	Dividends payable	260	260	212
Finished product	2,266	1,992	1,576				
LIFO valuation adjustment	(695)	(696)	(640)	Total current liabilities	7,830	7,969	5,781
Total inventories	5,723	5,384	4,333	Long-term debt	17,069	15,882	4,995
Other current assets	433	377	602	Deferred income taxes	897	825	1,050
Total current assets	9,217	8,151	7,545	Other liabilities	1,937	1,988	625
Property, plant and equipment	12,022	11,932	9,479	Total consumer products liabilities	27,733	26,664	12,451
Less, Accumulated depreciation	3,365	3,284	2,900				
	8,657	8,648	6,579	<u>Financial Services and Real Estate</u>			
Goodwill and other intangible assets	15,041	15,071	3,580	Short-term borrowings	194	264	263
Other assets	1,867	1,921	1,346	Long-term debt	1,199	1,240	1,096
Total consumer products assets	34,782	33,791	19,050	Deferred income taxes	931	894	750
				Other liabilities	210	219	192
<u>Financial Services and Real Estate</u>				Total financial services and real estate liabilities	2,534	2,617	2,301
Finance assets, net	2,542	2,578	2,138	TOTAL LIABILITIES	30,267	29,281	14,752
Real estate held for sale and investment	374	379	432				
Other assets	238	212	234	STOCKHOLDERS' EQUITY			
Total financial services and real estate assets	3,154	3,169	2,804	Common stock	240	240	240
TOTAL ASSETS	\$37,936	\$36,960	\$21,854	Additional paid-in capital	249	252	265
				Earnings reinvested in the business	7,854	7,833	6,765
				Currency translation adjustments	80	117	155
					8,423	8,442	7,425
				Less, cost of treasury stock	754	763	323
				Total stockholders' equity	7,669	7,679	7,102
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$37,936	\$36,960	\$21,854
				Debt - Consumer Products	\$18,062	\$16,442	\$6,843
				Total debt	\$19,455	\$17,946	\$8,202
				Debt/equity ratio - Consumer Products	2.36	2.14	0.96
				Total Debt/equity ratio	2.54	2.34	1.15

2048049774

PHILIP MORRIS COMPANIES INC.
 FEBRUARY 1989
 FREE CASH FLOW
 (in millions of dollars)

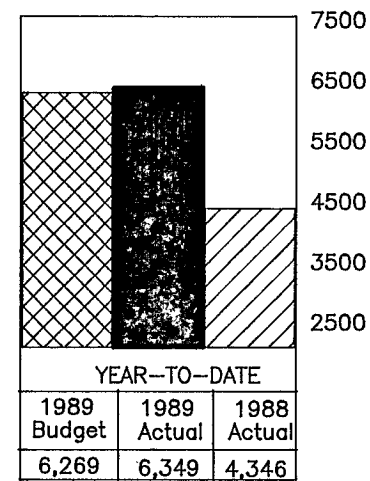
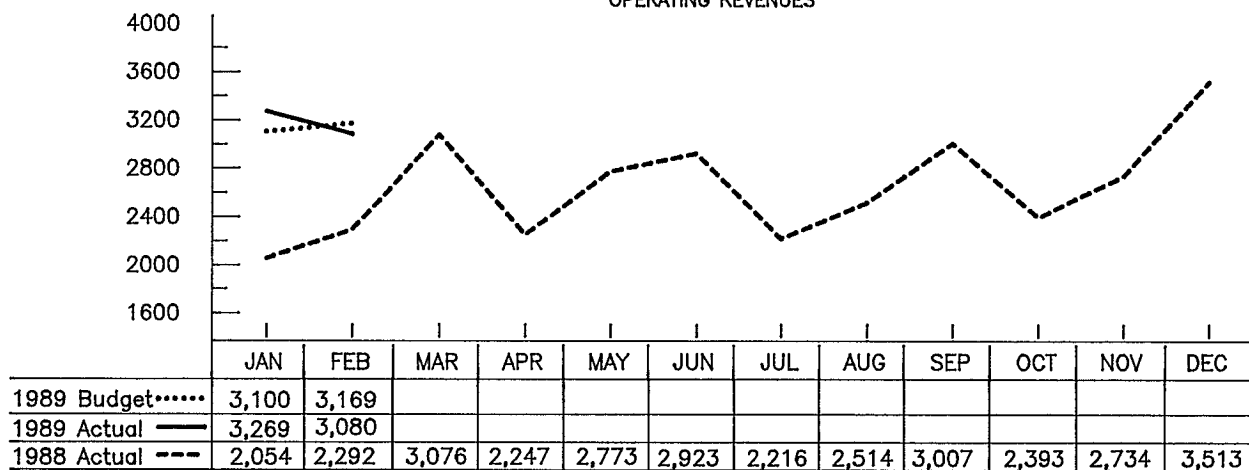
	Jan	Feb
Monthly Actual	(\$868)	(\$402)
Year-to-Date Actual	(\$868)	(\$1,270)

	FREE CASH FLOW YEAR-TO-DATE BY OPERATING COMPANY									PM COS CONSOL. ACTUAL
	PM INC	PM INT'L	KRAFT	GF WC&I	GF USA	OMF	MBC	PMCC/ MVRG	CORP.	
Net income	\$218	\$127	\$ -	\$5	\$14	\$8	\$17	\$29	(\$136)	\$282
Interest expense (after tax)	4	6	68	2			2		(82)	0
Corp. assessment (after tax)	(1)	3	3				1		(6)	0
	221	136	71	7	14	8	20	29	(224)	282
Depreciation and amortization	30	14	70	12	18	6	28	3	19	200
Deferred income tax	(3)	(1)	15	(2)			(2)	37	30	74
Dec(Inc) in working capital	(142)	(27)	(185)	(11)	(23)	(31)	56		(988)	(1,351)
Other	0	(27)	1	(11)	(2)	(6)	(3)	25	(26)	(49)
Operating Cash Flow	106	95	(28)	(5)	7	(23)	99	94	(1,189)	(844)
Capital expenditures	59	15	39	9	26	19	11		0	178
Dividends paid									260	260
Other	(9)	(1)	22	5	(2)		1	94	(122)	(12)
Free Cash Flow	\$56	\$81	(\$89)	(\$19)	(\$17)	(\$42)	\$87	\$0	(\$1,327)	(\$1,270)

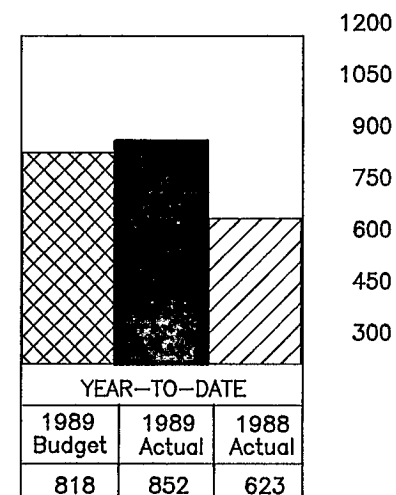
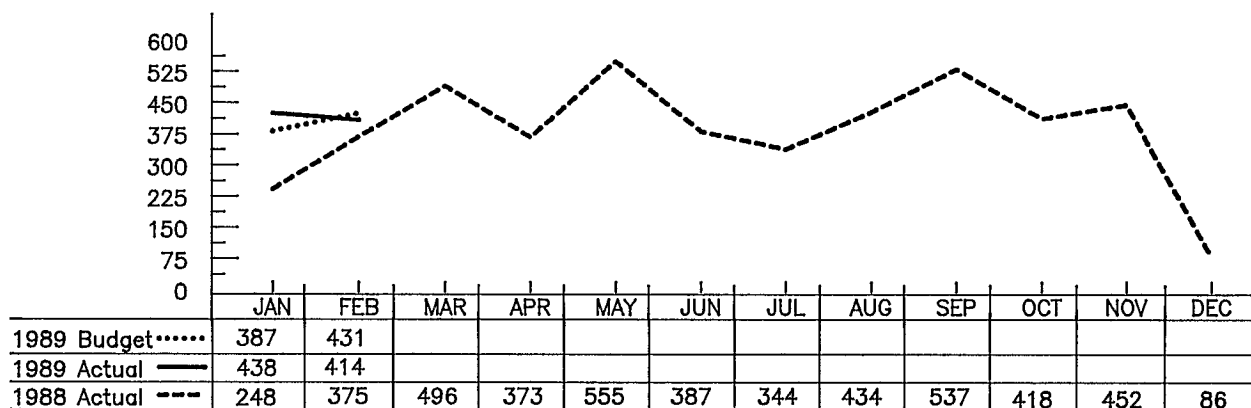
Proceeds from issuance of debt	\$1,907
Repayment of debt	(287)
Other	5
Net cash provided (used) in financing activities	\$1,625

Philip Morris Companies Inc. and Subsidiaries
 OPERATING REVENUES/INCOME FROM OPERATIONS
 (in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



NOTE: During the fourth quarter of 1988, the company provided for restructuring costs at General Foods Corporation, which reduced earnings before income taxes, net earnings and earnings per share by \$348 million, \$212 million and \$0.91, respectively.

CONSOLIDATED

Consolidated operating revenues of \$3.1 billion for February 1989 were \$0.8 billion (+34.4%) above February 1988 and \$89 million (-2.8%) below budget. Operating revenues of all companies, except PM U.S.A., PM International Inc., GF Coffee & International and MVRG exceeded prior year. Operating revenues of only PM International Inc., PMCC and MVRG exceeded budget. Excluding Kraft, consolidated operating revenues for February 1989 were \$125 million (-5.4%) below February 1988.

Domestic unit volume of PM-U.S.A. for February 1989 was down 4.7% on a calendar-adjusted basis compared to February 1988. PM International Inc. unit volume increased 2.5% over February 1988. GF Coffee & International was down 4.6%, GF USA was down 1.0% and Oscar Mayer was up 8.3%. Kraft unit volume decreased 6.3% from February 1988. Miller unit volume was down 0.8% from February 1988.

Income from operations before interest, goodwill and corporate expense of \$414 million was up \$39 million (+10.5%) above February 1988 and \$17 million (-4.0%) below budget. Income from operations for only PM International Inc. and PMCC exceeded February 1988. Income from operations for all operating companies was above budget, except PM U.S.A., GF USA, Oscar Mayer and Kraft. Excluding Kraft, consolidated income from operations for February 1989 was \$35 million (-9.4%) below February 1988.

Earnings before income taxes of \$234 million were \$68 million (-22.6%) below February 1988 and \$6 million (-2.3%) below budget.

Net earnings of \$138 million were \$29 million (-17.2%) below February 1988 and \$3 million (-2.3%) below budget.

Earnings per share of \$.60 per share for February 1989 were down \$.10 (-14.3%) from February 1988 and \$.01 (-1.6%) below budget.

The consumer products debt-to-equity ratio was 2.36 at February 28, 1989 compared to 2.14 at December 31, 1988. The total debt-to-equity ratio at February 28, 1989 was 2.54 compared to 2.34 at December 31, 1988. If cash and cash equivalents as of February 28, 1989 totalling \$455 million were applied to debt repayment, the total debt-to-equity ratio would decline to 2.48.

The formation of the Kraft General Foods Group was announced on February 17. This will combine the operating companies of Kraft, Inc. and General Foods Corporation into one organization. Kraft General Foods Group will have seven operating units supported by a corporate staff. Reporting for the first quarter 1989 will be on the new basis for food operations. Current month's reporting is under the old structure.

Hans G. Storr

Page A-1

2048049777

	Vs.	1988	Vs.	Budget
Op. Revenues	Up	34%	Down	3%
Avail. Profit	Up	31%	Down	3%
Income from Oper.	Up	11%	Down	4%
Pre-Tax	Down	23%	Down	2%
Net Earnings	Down	17%	Down	2%
E.P.S.	Down	14%	Down	2%

Philip Morris Companies Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(in millions of dollars, except per share data)

	Vs.	Budget	Vs.	1988
Op. Revenues	Up	1%	Up	46%
Avail. Profit	Up	1%	Up	47%
Income from Oper.	Up	4%	Up	37%
Pre-Tax	Up	11%	Down	1%
Net Earnings	Up	11%	Down	48%
E.P.S.	Up	11%	Down	46%

-----FEBRUARY-----						
Variance Fav./Unfav. (*)						
%	%	% Over	1988	Budget	1989	
1988	1989	Prior Year				
98.5	99.1	35.3	\$796	\$91 *	\$3,053	Net Sales
1.5	0.9	-23.7	8 *	2	27	Royalties
100.0	100.0	34.4	788	89 *	3,080	TOTAL OPERATING REVENUES
62.6	63.5	36.4	522 *	58	1,957	Cost of Products Sold
37.4	36.5	31.0	266	31 *	1,123	AVAILABLE PROFIT
17.5	19.2	47.0	189 *	6	590	Marketing
2.6	3.1	62.7	37 *	2	96	General and Administrative
0.8	0.8	23.2	5 *	1	24	Research
0.4	0.1	-73.7	6	4	2	Other Deductions (Income), Net
21.3	23.2	46.1	225 *	13	712	TOTAL EXPENSE
0.2	0.1	-31.3	2 *	1	3	Equity in Net Earnings of Unconsolidated Subsidiaries and Affiliates
16.3	13.4	10.5	39	17 *	414	INCOME FROM OPERATIONS BEFORE INTEREST GOODWILL AND CORPORATE EXPENSE
2.3	4.4	+100.0+	83 *	10	135	Interest and Other Debt Expense, Net
0.3	1.0	+100.0+	22 *	-	29	Amortization of Goodwill
0.6	0.4	13.7	2 *	1	16	Corporate Expense
3.2	5.8	+100.0+	107 *	11	180	EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE
13.1	7.6	-22.6	68 *	6 *	234	Provision for Income Taxes
5.9	3.1	-29.3	39	3	96	EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE
7.2	4.5	-17.2	29 *	3 *	138	Cumulative effect of change in method of accounting for income taxes
-	-	-	-	-	-	NET EARNINGS
7.2	4.5	-17.2	\$29 *	\$3 *	\$138	Per share data:
=====	=====	=====	=====	=====	=====	Earnings before cumulative effect of accounting change
		-14.3	\$0.10 *	\$0.01 *	\$0.60	Cumulative effect of accounting change
		-	-	-	-	NET EARNINGS
		-14.3	\$0.10 *	\$0.01 *	\$0.60	AVERAGE NO. OF SHARES OUTSTANDING
		=====	=====	=====	=====	231

**WEIGHTED AVERAGE BASIS

-----YEAR-TO-DATE-----						
Variance Fav./Unfav. (*)						
1989	Budget	1988	% Over	%	%	
			Prior Year	1989	1988	
\$6,296	\$79	\$2,010	46.9	99.2	98.6	Net Sales
53	1	7 *	-11.7	0.8	1.4	Royalties
6,349	80	2,003	46.1	100.0	100.0	TOTAL OPERATING REVENUES
4,111	55 *	1,287 *	45.6	64.8	65.0	Cost of Products Sold
2,238	25	716	47.0	35.2	35.0	AVAILABLE PROFIT
1,150	7 *	410 *	55.3	18.1	17.0	Marketing
195	6	72 *	58.8	3.1	2.8	General and Administrative
49	2	11 *	30.9	0.8	0.9	Research
5	6	6	-59.8	-	0.3	Other Deductions (Income), Net
1,399	7	487 *	53.3	22.0	21.0	TOTAL EXPENSE
13	2	-	-3.0	0.2	0.3	Equity in Net Earnings of Unconsolidated Subsidiaries and Affiliates
852	34	229	36.8	13.4	14.3	INCOME FROM OPERATIONS BEFORE INTEREST GOODWILL AND CORPORATE EXPENSE
285	8	182 *	+100.0+	4.5	2.4	Interest and Other Debt Expense, Net
59	-	45 *	+100.0+	0.9	0.3	Amortization of Goodwill
31	3	5 *	18.5	0.5	0.6	Corporate Expense
375	11	232 *	+100.0+	5.9	3.3	EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE
477	45	3 *	-0.5	7.5	11.0	Provision for Income Taxes
195	18 *	18	+100.0+	3.1	4.9	EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE
282	27	15	5.6	4.4	6.1	Cumulative effect of change in method of accounting for income taxes
-	-	273 *	-	-	6.3	NET EARNINGS
\$282	\$27	\$258 *	-47.9	4.4	12.4	Per share data:
=====	=====	=====	=====	=====	=====	Earnings before cumulative effect of accounting change
\$1.22	\$0.12	\$0.11	9.9			Cumulative effect of accounting change
-	-	1.17 *				NET EARNINGS
\$1.22	\$0.12	\$1.06 *	-46.5			AVERAGE NO. OF SHARES OUTSTANDING
=====	=====	=====				231

CONSOLIDATED STATEMENT OF INCOME

PAGE A-2

2048049778

Philip Morris Companies Inc. and Subsidiaries
 SUMMARY OF OPERATING REVENUES BY OPERATING COMPANY

 (in millions of dollars)

-----FEBRUARY-----						-----YEAR-TO-DATE-----						
Variance Fav./Unfav. (*)						Variance Fav./Unfav. (*)						
% 1988	% 1989	% Over Prior Year	1988	Budget	1989		1989	Budget	1988	% Over Prior Year	% 1989	% 1988
24.5	18.0	-1.1	\$6.1 *	\$32.5 *	\$554.7	P.M. U.S.A.	\$1,006.4	\$18.0 *	\$122.7	13.9	15.8	20.3
29.0	19.3	-10.5	69.6 *	3.5	595.1	P.M. International Inc.	1,496.9	89.4	22.0 *	-1.4	23.6	35.0
12.5	8.6	-7.0	19.9 *	13.0 *	265.2	G.F. Worldwide Coffee & Int'l	593.9	26.5	45.6	8.3	9.3	12.6
10.7	8.4	5.0	12.4	9.2 *	258.5	G.F. USA	455.1	12.7 *	21.0	4.8	7.2	10.0
6.6	5.2	4.8	7.3	3.7 *	159.5	Oscar Mayer Foods	293.4	1.8 *	13.5	4.8	4.6	6.4
0.2	-		3.8 *	-	-	G.F. Consolidating Adjustments	-	-	9.7 *		-	0.2
30.0	22.2	-0.6	4.0 *	25.9 *	683.2	General Foods Corporation	1,342.4	12.0	70.4	5.5	21.1	29.2
-	29.7	+100.0	913.7	27.9 *	913.7	Kraft, Inc.	1,851.5	2.7	1,851.5	+100.0	29.2	-
11.7	8.7	0.4	1.1	4.3 *	268.4	Miller Brewing Company	538.7	4.2 *	18.7	3.6	8.5	12.0
0.6	0.6	16.4	2.4	0.3	17.0	P. M. Credit Corporation	33.9	0.9	4.1	13.8	0.5	0.7
4.3	1.7	-46.7	45.6 *	2.0	52.0	Mission Viejo Realty Group	84.8	2.6	37.2 *	-30.5	1.3	2.8
(0.1)	(0.2)		3.9 *	3.9 *	(4.3)	Consolidating Adjustments	(6.0)	5.2 *	5.3 *		-	-
100.0	100.0	34.4	\$788.0	\$88.7 *	\$3,079.8	Consolidated Operating Revenues	\$6,348.6	\$80.2	\$2,002.9	46.1	100.0	100.0
=====	=====		=====	=====	=====		=====	=====	=====		=====	=====
						Consolidated Operating Revenues Excluding Kraft, Inc.	\$4,499.3	\$79.7	\$153.6	3.5		
							=====	=====	=====			

SUMMARY OF OPERATING REVENUES BY OPERATING COMPANY

Page A-3

2048049779

Philip Morris Companies Inc. and Subsidiaries

SUMMARY OF INCOME FROM OPERATIONS BEFORE INTEREST,
GOODWILL AND ASSESSMENTS, BY OPERATING COMPANY

(in millions of dollars)

-----FEBRUARY-----						-----YEAR-TO-DATE-----						
Variance Fav./Unfav.(*)						Variance Fav./Unfav.(*)						
% 1988	% 1989	% Over Prior Year	1988	Budget	1989		1989	Budget	1988	% Over Prior Year	% 1989	% 1988
54.8	48.7	-1.8	\$3.7 *	\$18.2 *	\$201.4	P.M. U.S.A.	\$365.5	\$9.5 *	\$51.9	16.5	42.9	50.4
17.6	16.1	1.1	0.7	5.0	66.5	P.M. International Inc.	203.0	22.2	47.4	30.5	23.8	25.0
5.4	0.7	-85.2	17.3 *	-	3.0	G.F. Worldwide Coffee & Int'l	12.8	6.5	29.6 *	-69.8	1.5	6.8
6.9	4.7	-25.4	6.6 *	3.6 *	19.4	G.F. USA	27.9	4.4 *	4.8 *	-14.7	3.3	5.3
2.7	1.8	-26.0	2.6 *	3.1 *	7.4	Oscar Mayer Foods	13.4	3.0 *	4.7 *	-26.0	1.6	2.9
(0.6)	(0.4)		0.7	-	(1.7)	General Foods Corporate	(3.4)	-	2.5		(0.4)	(1.0)
14.4	6.8	-47.9	25.8 *	6.7 *	28.1	General Foods Corporation	50.7	0.9 *	36.6 *	-41.9	6.0	14.0
-	18.0	+100.0	74.5	2.4 *	74.5	Kraft, Inc.	158.1	14.3	158.1	+100.0	18.6	-
5.5	4.9	-2.9	0.6 *	2.4	20.1	Miller Brewing Company	32.3	3.7	0.6 *	-1.8	3.8	5.3
1.0	1.8	92.3	3.6	0.3	7.5	P.M. Credit Corporation	15.3	1.3	8.1	+100.0+	1.8	1.2
7.6	3.9	-42.4	12.0 *	2.6	16.3	Mission Viejo Realty Group	28.3	2.6	4.6 *	-14.0	3.3	5.3
(0.9)	(0.2)		2.6	0.2 *	(0.7)	Consolidating Adjustments	(1.4)	0.4 *	5.5		(0.2)	(1.2)
100.0	100.0	10.5	\$39.3	\$17.2 *	\$413.7	Consolidated Income From Operations	\$851.8	\$33.3	\$229.2	36.8	100.0	100.0
=====	=====		=====	=====	=====		=====	=====	=====		=====	=====

Consolidated Income From Operations Excluding Kraft, Inc.									
-9.4	\$35.2 *	\$14.8 *	\$339.2	\$693.7	\$19.0	\$71.1	11.4		
	=====	=====	=====	=====	=====	=====			

SUMMARY OF INCOME FROM OPERATIONS BY OPERATING COMPANY

Page A-4

2048049780

Philip Morris Companies Inc. and Subsidiaries

SUMMARY OF EARNINGS BEFORE INCOME TAXES BY OPERATING COMPANY

(in millions of dollars)

-FEBRUARY-						-YEAR-TO-DATE-						
Variance Fav./Unfav.(*)						Variance Fav./Unfav.(*)						
% 1988	% 1989	% Over Prior Year	1988	Budget	1989		1989	Budget	1988	% Over Prior Year	% 1989	% 1988
65.2	82.7	-1.9	\$3.7 *	\$21.9 *	\$193.0	P.M. U.S.A.	\$349.4	\$16.3 *	\$54.8	18.6	73.2	61.4
19.1	25.3	2.6	1.5	5.9	59.0	P.M. International Inc.	188.7	24.7	47.2	33.4	39.5	29.5
6.1	1.1	-85.9	15.8 *	2.4	2.6	G.F.Worldwide Coffee & Int'l	9.3	8.8	27.9 *	-75.0	1.9	7.8
8.0	7.6	-26.3	6.3 *	3.7 *	17.7	G.F.USA	24.5	4.6 *	4.6 *	-15.8	5.1	6.1
3.2	3.2	-24.5	2.4 *	2.9 *	7.4	Oscar Mayer Foods	13.4	2.6 *	4.3 *	-24.3	2.8	3.7
(6.0)	(8.5)		1.6 *	0.7 *	(19.8)	General Foods Corporate	(37.5)	0.5 *	1.8 *	5.0	(7.8)	(7.6)
11.3	3.4	-76.8	26.1 *	4.9 *	7.9	General Foods Corporation	9.7	1.1	38.6 *	-79.9	2.0	10.0
-	(1.4)	-100.0	3.3 *	10.3 *	(3.3)	Kraft, Inc.	(0.9)	6.0 *	0.9 *	-100.0	(0.2)	-
6.1	7.7	-2.7	0.5 *	2.9	17.9	Miller Brewing Company	27.5	4.3	0.6 *	-2.1	5.8	5.9
1.3	3.2	97.4	3.7	0.5	7.5	P. M. Credit Corp.	15.1	1.5	8.1	+100.0+	3.2	1.5
9.3	6.9	-42.6	12.0 *	2.6	16.2	Mission Viejo Realty Group	28.2	2.6	4.6 *	-14.0	5.9	6.8
(11.0)	(29.0)	+100.0+	34.3 *	13.1	(67.6)	Headquarters Combined	(139.4)	27.3	74.4 *	+100.0+	(29.2)	(13.5)
(1.3)	1.2		6.5	6.5	2.9	Consolidating Adjustments	(0.9)	6.3	6.5		(0.2)	(1.6)
100.0	100.0	-22.6	\$68.2 *	\$5.6 *	\$233.5	Consol.Earnings Before Income Taxes	\$477.4	\$45.5	\$2.5 *	-0.5	100.0	100.0

-21.5	\$64.9 *	\$4.7	\$236.8	Consol. Earnings Before Income Taxes Excluding Kraft, Inc.	\$478.3	\$51.5	\$1.6 *	-0.3
-------	----------	-------	---------	---	---------	--------	---------	------

PHILIP MORRIS COMPANIES INC. AND SUBSIDIARIES
 STATUS OF CAPITAL APPROPRIATION REQUESTS
MARCH, 1989
 (In Millions)

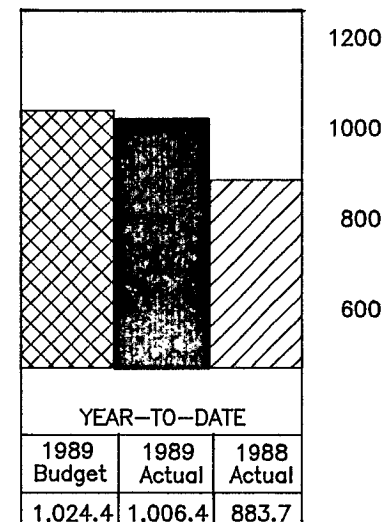
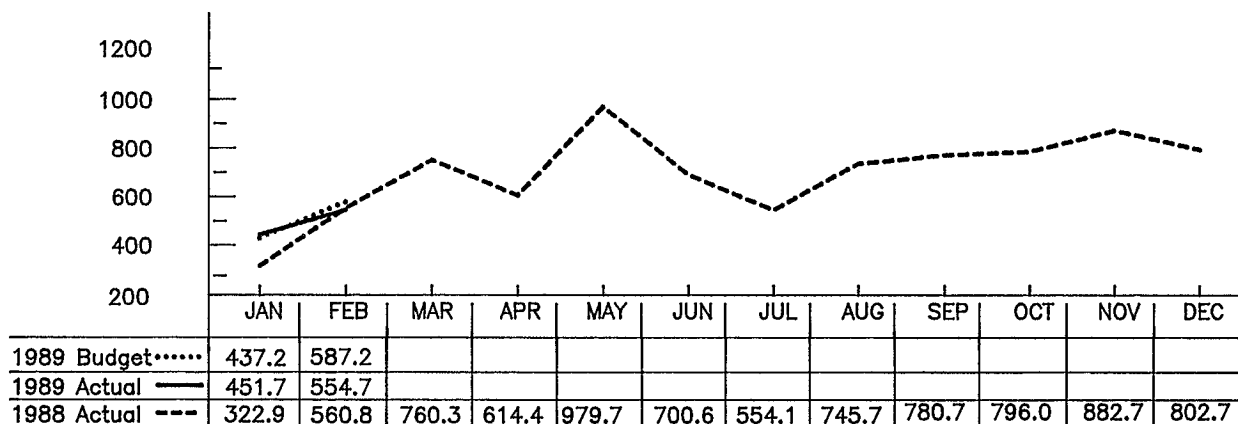
<u>Project Number</u>	<u>Operating Company/Project Title</u>	<u>Amount</u>	<u>Rec'd by Corp. Budget</u>	<u>To Mgmt. For Approval</u>	<u>Approved</u>	<u>Project Release</u>
<u>BOARD OF DIRECTORS APPROVAL</u>						
<u>KRAFT USA</u>						
	California Processed Cheese Facility	\$ 43.1	03/22/89	03/22/89		
<u>CORPORATE MANAGEMENT APPROVAL</u>						
<u>MILLER BREWING</u>						
	Narrow Neck Press & Blow	\$ 18.9	03/16/89	03/21/89		
<u>OSCAR MAYER</u>						
GF-A-15 Suppl. 1	Lunchables					
		This Request - \$ 11.4	03/01/89	03/03/89	03/17/89	03/23/89
		Previously Approved - <u>16.2</u>				
		Total - <u>\$ 27.6</u>				



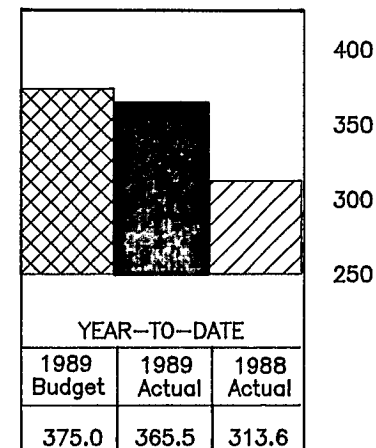
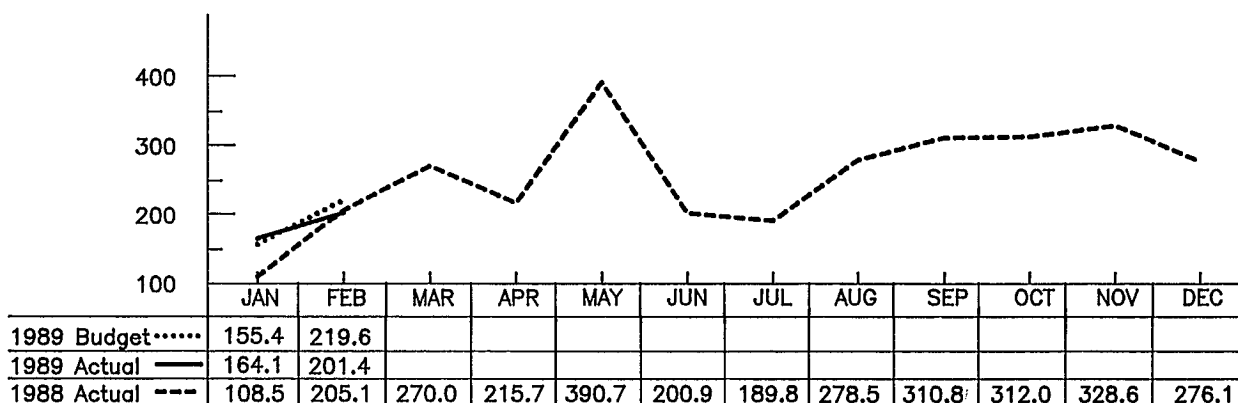
2048049783

Philip Morris U.S.A.
OPERATING REVENUES/INCOME FROM OPERATIONS
(in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



February operating revenues of \$554.7 million and income from operations of \$201.4 million were respectively \$6.1 million (1.1%) and \$3.7 million (1.8%) below February 1988. Operating revenues and income from operations for the month were also \$32.5 million (5.6%) and \$18.2 (8.3%) million below budget, respectively. However, year-to-date operating revenues and income from operations of \$1,006.4 million and \$365.5 million were 13.9% and 16.5% ahead of the prior year.

Domestic February unit volume of 13.231 billion units was 1.571 billion below February 1988, however, year-to-date volume of 24.183 billion units is 4.0% above year-to-date 1988. Volume comparisons are distorted by fluctuations in distributor buying patterns attributable to 1988 year-end loading in advance of a general price increase and the California state excise tax increase which went into effect January 1, 1989. In addition, February 1988 volume was inflated by the introduction of Marlboro Lights Menthol, which however is partially offset by the launch of price/value Alpine this year. While February volume for PM-USA declined a calendar-adjusted 4.7%, the industry experienced a decline of 7.8% compared to last year. On a year-to-date basis, volume for PM-USA was a calendar-adjusted 3.8% above last year versus a 6.5% decline for the industry. PM-USA's February market share of 45.3% was 1.5 share points above 1988 and our year-to-date market share of 46.9% is up 4.6 share points.

The 1989 Virginia Slims tennis series opened in February with the Virginia Slims of Washington in Fairfax, Virginia. Other Virginia Slims tournaments during the month were held in Kansas, California and Oklahoma. On February 21st it was announced that a Virginia Slims series event will be played in Moscow in October, marking the debut of professional tennis in the Soviet Union. Also during the month, Marlboro announced a three-year extension of the Marlboro Cup soccer competition which will begin in Miami during April. The U.S. National Team will participate in the tournament in preparation for the World Cup Tournaments of 1990. The Marlboro Cup series will also have tournaments in New York, Chicago and Los Angeles in 1989.

The introduction of the MASTERS in Distribution Excellence program continued in February. The program is designed to better motivate direct customers and provides cash incentives to accounts for achieving performance objectives developed to support our marketing strategies. The MASTERS program has been enthusiastically received by a majority of our direct accounts. To date, a total of 1,829 accounts have signed to participate during 1989, representing 81 percent of the possible participants.

Since January 1st, legislation to raise cigarette excise taxes has been introduced in 31 states. Wyoming has already enacted a 4 cent increase while Oklahoma and Virginia have defeated such proposals. The Arkansas House Rules Committee defeated a 10 cent cigarette excise tax proposal but Governor Clinton is attempting to persuade the legislature to support his 3.5 cent increase proposal. Eight states are considering advertising restrictions and nine are considering sampling bans. The Utah legislature has passed a bill that bans sampling except to adults at conventions closed to the public and customers in retail stores who just purchased a pack of cigarettes. Governor Bangerter of Utah is expected to sign the bill. Legislation favorable to smokers has been introduced in 17 states. The proposals include protecting smokers from discrimination in employment, prohibiting bans on smoking, pre-empting local smoking restrictions, substituting indoor air quality standards for smoking restrictions and changing Hawaii's ad valorem excise tax to a specific tax.

Representative Luken has introduced the Protect Our Children from Cigarettes Act of 1989, which prohibits all tobacco advertising and promotion that can be seen or heard by any person under the age of 18. The measure would allow text-only advertising to appear in newspapers, magazines, and some signs and billboards. Mayor Koch ordered an immediate prohibition on tobacco advertising on city owned billboards and a phased-in prohibition on cigarette sales in city owned buildings.

The 1988 Burley tobacco markets closed on February 28th of this year having sold 515 million pounds at an average price of \$1.61 per pound. This compares to an average market price of \$1.56 per pound for last year's crop of approximately 483 million pounds. PM-USA increased its floor purchases of Burley 48 million pounds to 162 million pounds.

	Vs.	1988	Vs.	Budget
Cig. Vol.	Down	11%	Down	5%
Op. Revenues	Down	1%	Down	6%
Avail. Profit	Up	3%	Down	6%
Income from Oper.	Down	2%	Down	8%
Pre-Tax	Down	2%	Down	10%
Net Earnings	Down	2%	Down	10%

Philip Morris U.S.A.
 COMPARATIVE STATEMENT OF OPERATIONS
 (in millions of dollars)

	Vs.	Budget	Vs.	1988
Cig. Vol.	Down	2%	Up	3%
Op. Revenues	Down	2%	Up	14%
Avail. Profit	Down	2%	Up	19%
Income from Oper.	Down	3%	Up	17%
Pre-Tax	Down	4%	Up	19%
Net Earnings	Down	4%	Up	19%

FEBRUARY					
Variance Fav./Unfav. (*)					
%	%	% Over	1988	Budget	1989
1988	1989	Prior Year			
		-10.6	1,571 *	745 *	13,231
		-32.3	83 *	23 *	174
		-11.0	1,654 *	768 *	13,405
			=====	=====	=====
100.0	100.0	-1.1	\$6.1 *	\$32.5 *	\$554.7
18.2	17.1	-7.0	7.2	4.4	95.1
21.0	19.1	-10.1	11.9	7.6	105.8
0.9	0.8	-6.4	0.3	0.3	4.4
0.2	-	-100.0+	1.4	-	(0.2)
			=====	=====	=====
59.7	63.0	4.4	14.7	20.2 *	349.6
4.4	5.5	22.4	5.6 *	1.4	30.6
55.3	57.5	2.9	9.1	18.8 *	319.0
15.7	18.2	14.5	12.8 *	-	100.8
1.8	1.5	-17.8	1.8	0.1 *	8.3
0.4	0.8	79.2	1.9 *	0.4	4.3
0.9	0.9	4.0	0.2 *	0.1	5.2
(0.1)	(0.2)	42.9	0.3	0.2	(1.0)
			=====	=====	=====
18.7	21.2	12.2	12.8 *	0.6	117.6
			=====	=====	=====
36.6	36.3	-1.8	3.7 *	18.2 *	201.4
0.3	-	-100.0+	2.0	0.7 *	(0.1)
1.0	0.9	-8.9	0.5	0.1 *	5.1
0.2	0.6	+100.0+	2.5 *	2.9 *	3.4
			=====	=====	=====
1.5	1.5	-	-	3.7 *	8.4
			=====	=====	=====
35.1	34.8	-1.9	3.7 *	21.9 *	193.0
13.3	13.1	-2.0	1.5	8.5	72.9
21.8	21.7	-1.8	\$2.2 *	\$13.4 *	\$120.1
=====	=====		=====	=====	=====

Domestic
 Overseas/Military
 CIGARETTE SALES (Million Units)

TOTAL OPERATING REVENUES
 Variable Cost of Sales
 Federal Excise Tax
 Shipping Expense
 Lifo Adjustment
 MARGINAL CONTRIBUTION
 Fixed Manufacturing Costs
 AVAILABLE PROFIT
 Marketing
 General and Administrative
 Corporate Affairs
 Research and Development
 Other (Income) Deductions, Net
 TOTAL EXPENSE
 INCOME FROM OPERATIONS BEFORE
 INTEREST AND ASSESSMENTS
 Interest Expense/(Income), Net
 Corporate Assessment,
 General and Administrative
 Corporate Assessment, Interest
 EARNINGS BEFORE INCOME TAXES
 Provision for Income Taxes
 NET EARNINGS

YEAR-TO-DATE					
Variance Fav./Unfav. (*)					
1989	Budget	1988	% Over	%	%
			Prior Year	1989	1988
24,183	360 *	932	4.0		
331	63 *	158 *	-32.3		
24,514	423 *	774	3.3		
=====	=====	=====			
\$1,006.4	\$18.0 *	\$122.7	13.9	100.0	100.0
174.7	0.4 *	14.6 *	9.1	17.4	18.1
192.7	6.8	7.4 *	4.0	19.1	21.0
7.7	0.5	0.1 *	1.3	0.7	0.8
(0.4)	-	2.8	-100.0+	-	0.3
	=====	=====			
631.7	11.1 *	103.4	19.6	62.8	59.8
53.3	0.4	9.4 *	21.4	5.3	5.0
578.4	10.7 *	94.0	19.4	57.5	54.8
	=====	=====			
175.9	-	40.7 *	30.1	17.5	15.3
16.4	-	3.8	-18.8	1.6	2.3
12.0	0.9	5.1 *	-73.9	1.2	0.8
10.5	-	0.6 *	6.1	1.1	1.1
(1.9)	0.3	0.5	35.7	(0.2)	(0.2)
	=====	=====			
212.9	1.2	42.1 *	24.6	21.2	19.3
	=====	=====			
365.5	9.5 *	51.9	16.5	36.3	35.5
-	1.8 *	5.7	-100.0	-	0.6
9.8	0.3	0.6	-5.8	1.0	1.2
6.3	5.3 *	3.4 *	+100.0+	0.6	0.4
	=====	=====			
16.1	6.8 *	2.9	-15.3	1.6	2.2
	=====	=====			
349.4	16.3 *	54.8	18.6	34.7	33.3
132.0	6.5	20.6 *	18.5	13.1	12.6
\$217.4	\$9.8 *	\$34.2	18.7	21.6	20.7
=====	=====	=====		=====	=====

COMPARATIVE UNIT CIGARETTE SALES
FEBRUARY 1989
(000,000)

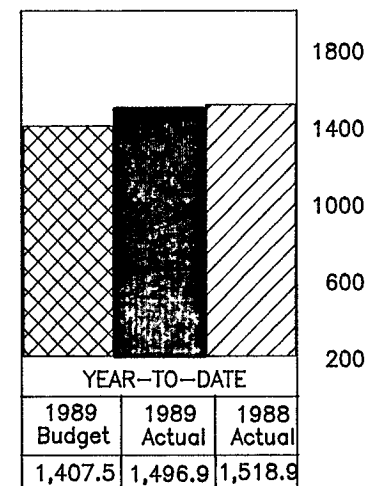
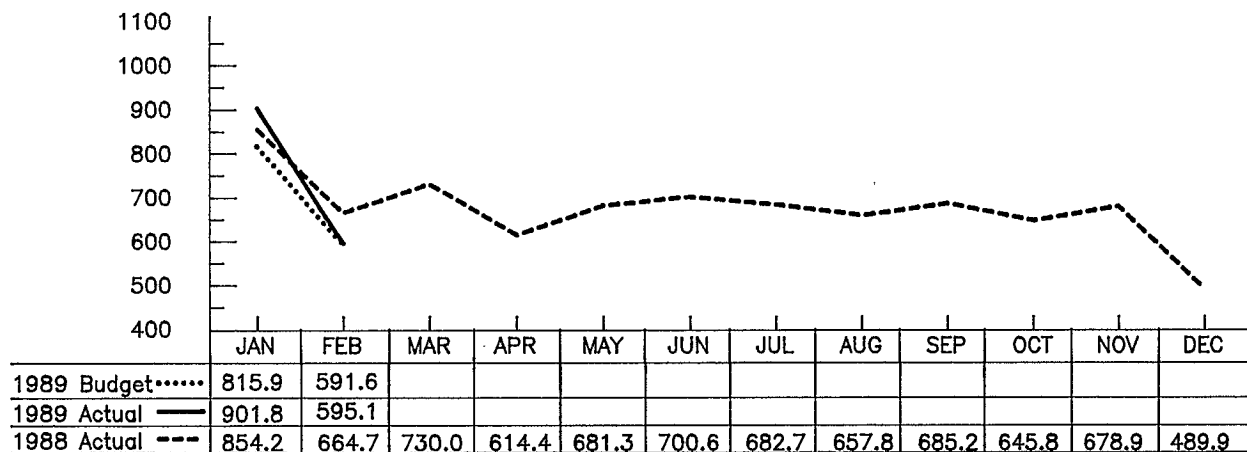
FEBRUARY				YEAR-TO-DATE				
Adj. % Chg. Vs. 1988	Variance Vs. 1988	Fav./Unfav. (*) Vs. BUDGET	1989	Brands	1989	Fav./Unfav. (*) Vs. BUDGET	Variance Vs. 1988	Adj. % Chg. Vs. 1988
8.2*	324*	193*	2,015	Marlboro Box	3,620	225*	13	0.2
7.4*	274*	33*	1,816	Marlboro 85's	3,199	4*	87*	2.8*
10.5*	169*	56*	885	Marlboro 100's	1,606	24*	51*	3.3*
2.1	102*	66*	2,289	Marlboro Lights 85's	4,178	58	398	10.3
5.7*	121*	71*	919	Marlboro Lights 100's	1,691	43*	58	3.4
78.6*	151*	33*	38	Marlboro Lights 85 Menthol Box	74	51*	222*	74.9*
82.4*	153*	37*	30	Marlboro Lights 100 Menthol Box	60	60*	226*	79.0*
59.4*	122*	30*	74	Marlboro FF Menthol	139	35*	207*	59.9*
13.7*	21*	13*	88	Marlboro 85's (25)	162	16*	8*	4.9*
9.8*	8*	6*	43	Marlboro Lights 85's (25)	79	11*	2*	3.7*
9.4*	1,445*	538*	8,197	Total Marlboro	14,808	411*	334*	2.4*
11.3*	53*	16*	259	B&H 100's Regular Box & S.P.	476	3	26*	5.3*
7.7*	44*	10*	285	B&H 100's Menthol Box & S.P.	521	12	2*	0.5*
9.5*	28*	10*	158	B&H 100's Lights Regular	291	10	10*	3.8*
10.1	—	2*	16	B&H 100's Lights Box Regular	32	1	2	5.3
4.6*	17*	9	141	B&H 100's Lights Menthol	258	32	9	3.6
0.6	1*	3*	15	B&H 100's Lights Menthol Box	30	1*	2*	6.7*
17.0*	56*	25*	198	B&H 100's Ultra Lights Regular	364	27*	45*	11.3*
7.5*	22*	5*	142	B&H 100's Ultra Lights Menthol	265	10	6	2.1
9.7*	221*	62*	1,214	Total B&H 100's	2,237	40	68*	3.2*
17.5*	91*	17*	313	Merit 85's Regular	562	8*	59*	9.7*
14.1*	11*	5*	45	Merit 85's Menthol	84	3*	5*	5.0*
5.6*	12*	1*	86	Merit 85's Regular Box	158	6	6	3.3
14.3*	59*	—	244	Merit 100's Regular	442	19	22*	4.9*
11.6*	9*	2*	41	Merit 100's Menthol	77	4	1*	0.8*
10.7	11	19*	295	Merit Ultra Lights 85's	549	—	111	25.2
5.8	2*	25*	223	Merit Ultra Lights 100's	416	18*	69	19.7
6.3*	173*	69*	1,247	Total Merit	2,288	—	99	4.3
8.9*	29*	1*	168	Virginia Slims Regular	309	16	1*	0.6*
11.5*	28*	10*	136	Virginia Slims Menthol	248	5	7*	3.2*
5.5*	20*	3*	156	Virginia Slims Lights Regular	289	19	19	6.7
6.5*	25*	1*	173	Virginia Slims Lights Menthol	316	20	14	4.6
5.3*	22*	21*	178	Virginia Slims Lights 120	334	17*	24	7.6
7.4*	24*	38*	161	Virginia Slims Ultra Lights	296	59*	13*	4.2*
7.4*	148*	74*	972	Total Virginia Slims	1,792	16*	36	1.8
53.5	34	—	113	Cambridge Ultra Lights	194	5*	76	64.8
93.7	85	9	189	Cambridge Full Flavor	326	4	165	100.0
35.7	34	6*	156	Cambridge Lights 85's	264	22*	81	43.9
32.8	53	16*	266	Cambridge Lights 100's	463	40*	146	45.8
48.8	206	13*	724	Total Cambridge	1,247	63*	468	59.9
19.6*	7*	1*	21	Total Players Black	43	7	6*	13.0*
29.9*	31*	4*	61	Total Players Lights (25)	118	5	44*	27.1*
27.5*	38*	5*	82	Total Players	161	12	50*	23.8*
4.6*	34*	4*	292	Total Parliament Lights	533	15	28	5.2
12.2*	14*	8*	65	Total Saratoga	122	5*	2*	1.8*
100.0	317	78	317	Total Alpine Price Value	749	122	749	100.0
6.7*	12*	48*	81	Total Famous Value	176	56*	18	11.1
100.0*	2*	—	—	Test Brands	—	—	3*	100.0*
20.2*	7*	2*	40	All Others	70	2	9*	11.3*
4.7*	1,571*	745*	13,231	Total Domestic	24,183	360*	932	3.8
27.8*	83*	23*	174	Overseas Military	331	63*	158*	32.4*
5.1*	1,654*	768*	13,405	Total PM-USA	24,514	423*	774	3.1

2048049788

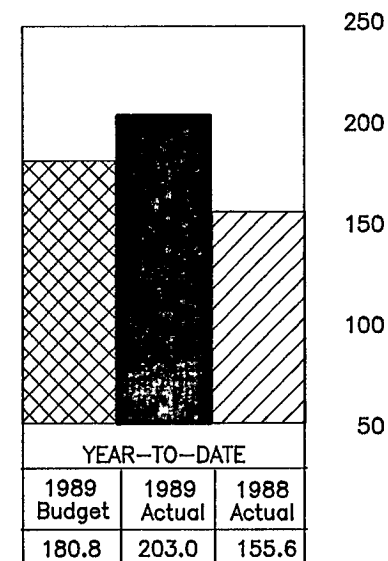
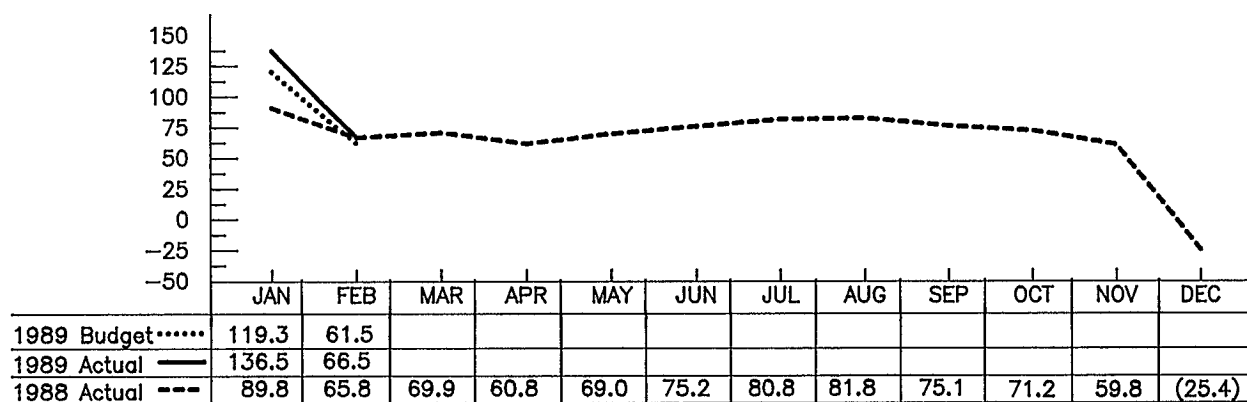


Philip Morris International Inc.
OPERATING REVENUES/INCOME FROM OPERATIONS
(in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



Philip Morris International

February unit volume of 26.4 billion was 2.5% above 1988 but 443 million below budget. The shortfall from budget was due mainly to the payback of higher than budgeted January shipments to Italy, Hong Kong and Mexico, as well as lower sales in Spain, due to a slower than expected industry recovery from last December's load, and in China, due to lower sales to the domestic market. Year-to-date volume of 60 billion is 2.1 billion above budget and 5.8% ahead of last year.

In France, Air France announced a decision to test three non-smoking European flights for an undetermined period. We will contact Air France to find out about the research they used as well as the duration of the test. We are also developing a PR campaign emphasizing freedom of choice.

In Saudi Arabia, our January market share was 36.6%, compared to 42.3% in January 1988. The decline was due in part to the liquidation of 1988-coded stock, the continuing decline of premium priced brands and, for Visa, the refusal of our eastern distributor to competitively price the product. However, February in-market sales of 409 million were in line with 1988.

In Hong Kong, the government announced an 8.6% tax increase, effective March 1; as a result, retail prices were increased HK\$0.50 per pack. Our FAS price will be raised by \$0.80 per thousand, in line with budget. In the PRC, we plan to deliver to CTIEC Shanghai a sample of DIET tobacco from Australia, which they would like to use in an LTN cigarette, prior to the completion of their own DIET plant. In Singapore, the import duty on foreign cigarettes was increased by \$10 per kilogram compared to an effective tax increase of \$8.80 per kilogram on locally manufactured cigarettes, thus widening the tax differential between local and imported brands. However, the retail price gap was reduced, as we took a price increase of S\$0.30 per pack of 20's for Marlboro as against S\$0.40/pack for locally manufactured, lower priced Lucky Strike. This increase will contribute approximately \$1.0 million additional operating income compared to budget. It is believed that the Singapore government is using the cigarette tax issue to retaliate against the U.S. for its trade policy toward Singapore. We will brief U.S. trade officials on our position.

In Argentina, the government authorized a one Austral per pack price increase, effective March 1. The average 7% increase is the third such increase this year and has recovered the prior month's inflation. However, the company continues to run at a loss, following the price war last fall. In Venezuela, the cigarette industry's previously announced 33% price increase was implemented without any problem. In Mexico, Marlboro achieved a record market share of 19.1% in January, 3.0 points above a year ago. The brand has benefitted from the absence of price increases since January 1988.

February income from operations was \$67 million, \$5 million above budget and in line with 1988. Year-to-date income of \$203 million was \$22 million ahead of budget and 30% above last year.

G. C. Bible

	Vs.	1988	Vs. Budget	
Cig. Vol.	Up	3%	Down	2%
Op. Revenues	Down	10%	Up	1%
Avail. Profit	Up	9%	Up	5%
Income from Oper.	Up	1%	Up	8%
Pre-Tax	Up	3%	Up	11%
Net Earnings	Up	27%	Up	2%

Philip Morris International Inc.
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs. Budget	Vs. 1988	
Cig. Vol.	Up 4%	Up 6%	
Op. Revenues	Up 6%	Down 1%	
Avail. Profit	Up 8%	Up 17%	
Income from Oper.	Up 12%	Up 30%	
Pre-Tax	Up 15%	Up 33%	
Net Earnings	Up 10%	Up 63%	

-----FEBRUARY-----

			Variance Fav./Unfav. (*)		
% 1988	% 1989	% Over Prior Year	1988	Budget	1989
		2.5	654	443 *	26,372
97.3	98.6	-9.3	\$60.1 *	\$1.5	\$586.9
2.7	1.4	-53.7	9.5 *	2.0	8.2
100.0	100.0	-10.5	69.6 *	3.5	595.1
20.7	19.0	-18.2	25.1	15.4	112.8
48.7	45.2	-17.0	54.9	13.3 *	268.9
1.5	1.3	-21.8	2.2	0.8	7.9
0.1	0.1	20.0	0.1 *	-	0.6
29.0	34.4	6.5	12.5	6.4	204.9
5.0	5.2	-5.8	1.9	1.3	31.1
24.0	29.2	9.0	14.4	7.7	173.8
11.4	14.4	12.2	9.2 *	5.3 *	85.4
2.2	2.8	19.6	2.8 *	0.9	17.1
0.5	0.7	5.4	0.2 *	0.4	3.9
-	-	-100.0	0.4 *	1.2 *	-
0.2	0.4	+100.0+	1.2 *	1.1	2.3
14.3	18.3	14.7	13.8 *	4.1 *	108.7
0.2	0.2	7.7	0.1	1.4	1.4
9.9	11.1	1.1	0.7	5.0	66.5
(1.2)	0.8	-21.7	1.3	0.9	4.7
-	0.1	+100.0+	0.2 *	-	0.3
2.5	0.3	-	-	0.2	2.2
-	-	+100.0+	0.2 *	0.2 *	0.3
1.3	1.2	-10.7	0.9	0.9	7.5
8.6	9.9	2.6	1.5	5.9	59.0
3.9	3.3	-26.0	6.9	5.1 *	19.6
4.7	6.6	27.1	\$8.4	\$0.8	\$39.4

-----YEAR-TO-DATE-----

			Variance Fav./Unfav. (*)					
1989	Budget	1988	% Over Prior Year	% 1989	% 1988			
			5.8			CIGARETTE SALES (Million Units)		
59,951	2,113	3,260				Net Sales	\$1,480.7	\$88.2
						Royalties and Other Operating Revenues	16.2	1.2
1,496.9	89.4	22.0 *	-1.4	100.0	100.0	TOTAL OPERATING REVENUES		
313.6	21.2 *	13.2	-4.0	20.9	21.5	Variable Cost of Sales	678.8	34.0 *
678.8	34.0 *	65.2	-8.8	45.3	49.0	Foreign Excise Tax	18.7	0.8
18.7	0.8	3.6	-16.1	1.3	1.3	Shipping Expense	1.2	-
		0.4 *	50.0	0.1	0.2	Lifo Adjustment	484.6	35.0
						MARGINAL CONTRIBUTION	69.0	2.5 *
						Fixed Manufacturing Expense	415.6	32.5
						AVAILABLE PROFIT	171.6	12.0 *
						Marketing	34.6	1.3
						General and Administrative	7.8	0.8
						Research and Development	0.4	2.5 *
						Currency Trans. and Hedging Cost, Net	6.2	0.6
						Other Deductions/(Income), Net	220.6	11.8 *
						TOTAL EXPENSE	8.0	1.5
						Equity in Net Earnings of Unconsolidated Subsidiaries and Affiliates	203.0	22.2
						INCOME FROM OPERATIONS BEFORE INTEREST, AMORTIZATION AND ASSESSMENTS	8.8	2.4
						Interest Expense/(Income), Net	0.6	0.1 *
						Amortization of Intangible Assets	4.4	0.4
						Corporate Assessments, General and Administrative	0.5	0.3 *
						Corporate Assessments, Interest	14.3	2.5
						EARNINGS BEFORE INCOME TAXES	61.5	13.2 *
						Provision for Income Taxes	\$127.2	\$11.5
						NET EARNINGS		

Philip Morris International Inc.

REGIONAL SUMMARY OF OPERATING REVENUES

(in millions of dollars)

-----FEBRUARY-----				-----YEAR-TO-DATE-----			
Variance Fav/Unfav.(*)				Variance Fav./Unfav.(*)			
% Over							% Over
Prior Year	1988	Budget	1989	1989	Budget	1988	Prior Year
-9.9	\$41.4 *	\$1.8 *	\$377.0	European Econ. Community	\$970.8	\$41.6	\$7.0 * -0.7
-11.9	11.7 *	0.9	86.5	EFTA, E. Eur., M/E, Africa	187.4	5.2 *	22.8 * -10.8
40.3	17.6	18.7	61.2	Australia	131.2	20.4	31.2 31.2
0.9	0.6	8.3 *	68.9	Asia	193.8	27.7	31.4 19.3
15.8	4.6	0.3	33.8	Latin America	59.8	3.6 *	7.1 13.5
43.8	4.1	2.3	13.3	Iberia	34.9	10.9	15.9 83.9
50.0	0.8	0.2	2.3	Duty Free Sales (U.S.A.)	6.5	2.1	3.0 83.7
-83.5	0.2 *	0.2 *	-	Canada	0.1	0.6 *	0.4 * -88.6
	-	-	-	Rothmans International	-	-	-
	44.0 *	8.6 *	(47.9)	Inter-Regional Adjustments	(87.6)	3.9 *	80.4 *
-10.5	69.6 *	3.5	595.1	Combined Op. Revenues	1,496.9	89.4	22.0 * -1.4
	-	-	-	Operating Revenues Related to	-	-	-
				Unconsolidated Affiliates	-	-	-
-10.5	\$69.6 *	\$3.5	\$595.1	Consolidated Operating Revenues	\$1,496.9	\$89.4	\$22.0 * -1.4
	=====	=====	=====		=====	=====	=====

PHILIP MORRIS INTERNATIONAL
SUMMARY OF OPERATING REVENUES OF SELECTED AFFILIATES

(IN MILLIONS OF DOLLARS)

-----FEBRUARY-----				-----YEAR-TO-DATE-----				
% Over Prior Year	Variance Fav. / Unfav. (*)			CONSOLIDATED	Variance Fav. / Unfav. (*)			% Over Prior Year
	1988	Budget	1989		1989	Budget	1988	
- 2.1	\$ 1.6 *	\$ 1.9 *	\$ 73.8	P.M. HOLLAND	\$ 188.2	\$ 13.9	\$ 15.2	+ 8.8
- 9.4	25.8 *	7.7	248.9	P.M. GERMANY	656.0	39.0	34.5	+ 5.6
- 8.0	2.3 *	1.2 *	26.3	P.M. BELGIUM	69.4	9.1	5.5	+ 8.6
- 18.6	9.2 *	4.8	40.2	P.M. LIMITED (U.K.) (CIGARETTE OPERATIONS)	74.1	3.1 *	57.7 *	- 43.8
- 17.1	12.0 *	3.6	58.3	F.T.R. SWITZERLAND (COMBINED)	139.7	8.6	4.9 *	- 3.4
+ 41.5	16.4	18.0	55.9	P.M. LIMITED (AUSTRALIA)	122.0	19.2	29.2	+ 31.5
+ 10.4	2.9	5.0	30.8	P.M. MARKETING (BRAZIL)	51.1	2.2	7.9	+ 18.3
MEMO								
+ 6.3	\$ 7.0	\$ 15.1 *	\$ 118.1	U.S. EXPORT OF FINISHED PRODUCTS	\$ 295.3	\$ 17.9	\$ 31.1	+ 11.8

SUMMARY OF OPERATING REVENUES OF SELECTED AFFILIATES

Page C-4

2048049793

(in millions of dollars)

FEBRUARY					YEAR-TO-DATE			
% Over	Variance Fav/Unfav.(*)				Variance Fav./Unfav.(*)			% Over
Prior Year	1988	Budget	1989		1989	Budget	1988	Prior Year
18.0	\$5.1	\$1.4	\$33.2	European Econ. Community	\$109.5	\$15.6	\$30.0	37.6
-49.0	13.1 *	3.1 *	13.7	EFTA, E. Eur., M/E, Africa	31.2	7.8 *	20.9 *	-40.1
+100.0+	3.7	3.4	5.7	Australia	14.3	2.5	6.1	74.3
-42.7	7.3 *	6.1 *	9.8	Asia	50.6	12.8	6.9	15.9
+100.0+	2.1	1.4	3.7	Latin America	7.9	2.6	4.9	+100.0+
0.9	-	0.5	1.9	Iberia	5.6	2.0	2.3	67.1
+100.0+	0.5	0.2	0.9	Duty Free Sales (U.S.A.)	2.5	1.0	1.5	+100.0+
-99.0	0.1 *	0.1 *	-	Canada	(0.1)	0.5 *	4.2 *	+100.0+
	-	-	-	Rothmans International	6.7	0.3	0.9	15.5
	10.7	7.7	5.9	Inter-Regional Adjustments	(8.8)	5.9 *	21.9	
				Regional Consolidated Income				
2.2	1.6	5.3	74.8	From Operations	219.4	22.6	49.4	29.0
	0.4	0.3 *	(4.5)	Corporate and PM U.S.A. Assessments	(8.8)	0.4 *	0.5	
	1.3 *	-	(3.8)	New York Headquarters Expenses	(7.6)	-	2.5 *	
1.1	\$0.7	\$5.0	\$66.5	Consolidated Income From Operations	\$203.0	\$22.2	\$47.4	30.5

PHILIP MORRIS INTERNATIONAL
SUMMARY OF INCOME FROM OPERATIONS OF SELECTED AFFILIATES

(IN MILLIONS OF DOLLARS)

-----FEBRUARY-----				-----YEAR-TO-DATE-----				
% Over Prior Year	Variance Fav. / Unfav. (*)			CONSOLIDATED	Variance Fav. / Unfav. (*)			% Over Prior Year
	1988	Budget	1989		1989	Budget	1988	
+ 47.3	\$ 3.5	\$ 1.4 *	\$ 10.9	P.M. HOLLAND	\$ 38.5	\$ 5.6	\$ 12.7	+ 49.2
+ 7.0	1.0	1.9	15.3	P.M. GERMANY	52.5	7.9	12.8	+ 32.2
- 66.7	0.6 *	0.4	0.3	P.M. BELGIUM	1.9	1.7	0.6	+ 46.2
+ 43.5	1.0	1.0	(1.3)	P.M. LIMITED (U.K.) (CIGARETTE OPERATIONS)	(5.1)	0.6 *	1.4 *	- 37.8
- 7.8	0.4 *	1.7	4.7	F.T.R. SWITZERLAND (COMBINED)	10.8	1.6 *	3.5 *	- 24.5
+100.0 +	3.2	3.3	5.1	P.M. LIMITED (AUSTRALIA)	13.3	2.0	4.9	+ 58.3
+100.0 +	0.5	1.0	0.0	P.M. MARKETING (BRAZIL)	1.4	3.3	3.4	+100.0 +

				MEMO				

- 14.5	\$ 4.7 *	\$ 2.8 *	\$ 27.7	U.S. EXPORT OF FINISHED PRODUCTS	\$ 82.3	\$ 16.3	\$ 16.4	+ 24.9
- 62.8	11.8 *	0.8	7.0	U.S. ROYALTIES/PROFIT SHARING	18.4	1.7	8.1 *	- 30.6

SUMMARY OF INCOME FROM OPERATIONS OF SELECTED AFFILIATES

Page C-6

2048049795

Philip Morris International Inc.

REGIONAL SUMMARY OF NET EARNINGS

(in millions of dollars)

-----FEBRUARY-----				-----YEAR-TO-DATE-----				
% Over Prior Year	Variance Fav/Unfav.(*)				Variance Fav./Unfav.(*)			% Over Prior Year
	1988	Budget	1989		1989	Budget	1988	
30.4	\$5.5	\$ -	\$23.6	European Econ. Community	\$78.4	\$10.3	\$25.5	48.0
-43.9	7.6 *	1.6 *	9.8	EFTA, E. Eur., M/E, Africa	22.2	3.9 *	11.8 *	-34.8
+100.0+	2.5	2.1	3.4	Australia	8.5	1.6	4.7	+100.0+
-55.9	5.9 *	5.5 *	4.6	Asia	30.7	6.7	3.4	12.6
+100.0+	3.0	1.8	2.7	Latin America	5.8	3.5	5.8	+100.0+
4.3	0.1	0.4	1.3	Iberia	3.8	1.4	1.5	67.1
+100.0+	0.3	0.1	0.6	Duty Free Sales (U.S.A.)	1.6	0.6	1.0	+100.0+
-100.0+	0.1 *	0.1 *	-	Canada	(0.1)	0.4 *	4.1 *	-100.0+
	-	-	-	Rothmans International	6.7	0.3	0.9	15.5
	13.6	3.7	3.0	Inter-Regional Adjustments	(12.1)	9.4 *	24.9	
	-----	-----	-----		-----	-----	-----	
30.4	11.4	0.9	49.0	Regional Consolidated Net Earnings	145.5	10.7	51.8	55.3
	1.2 *	0.2 *	(2.9)	Corporate and PM U.S.A. Expenses	(5.6)	0.3 *	0.2	
	0.8 *	0.1 *	(2.3)	New York Headquarters Expenses	(4.9)	0.2 *	1.8 *	
	-----	-----	-----		-----	-----	-----	
27.2	9.4	0.6	43.8	G&A and Interest Assessments	135.0	10.2	50.2	59.2
	0.7 *	0.2	(4.3)	and Other Allocations	(8.1)	1.0	0.7 *	
	0.3 *	-	(0.1)	Adjustment for FASB 96	0.3	0.3	0.2 *	
	-----	-----	-----		-----	-----	-----	
27.1	\$8.4	\$0.8	\$39.4	Consolidated Net Earnings	\$127.2	\$11.5	\$49.3	63.3
	-----	-----	-----		-----	-----	-----	

Philip Morris International Inc.
COMPARATIVE UNIT VOLUME REPORT

FEBRUARY				YEAR - TO - DATE				
% OVER PRIOR YEAR	VARIANCE	FAV./UNFAV.*		CIGARETTES(MILLIONS)		VARIANCE	FAV./UNFAV.*	% OVER PRIOR YEAR
1988	BUDGET	1989			1989	BUDGET	1988	
				INTERNATIONAL				
-1.8	94.8*	275.8*	5,161.2	P.M. EXPORTS	12,656.5	1,274.5	336.6	2.7
14.6	566.8	106.1	4,446.1	LICENSEE	9,216.6	93.6	585.6	6.8
-5.0	219.3*	514.7*	4,160.3	AFFILIATE EXPORTS	10,529.4	237.4	640.2	6.5
3.3	401.6	241.6	12,604.6	AFFILIATE DOMESTIC	27,548.0	507.0	1,697.8	6.6
1.1	182.3	273.1*	16,764.9	TOTAL AFFILIATES	38,077.4	744.4	2,338.0	6.5
2.5	654.3	442.8*	26,372.2	TOTAL INTERNATIONAL	59,950.5	2,112.5	3,260.2	5.8
				BY REGION				
.4	31.3	346.8*	8,578.2	TOTAL EEC	21,286.9	190.9	866.2	4.2
3.0	111.5	400.4*	3,819.6	TOTAL EEMA	8,067.7	428.3*	65.9*	-.8
15.2	131.2	212.8	992.8	TOTAL AUSTRALIA	2,205.5	22.5	59.3	2.8
-4.9	287.2*	626.1*	5,526.9	TOTAL ASIA	13,502.2	586.2	433.8	3.3
10.9	546.8	37.6	5,563.6	TOTAL LATIN AMERICA	11,416.2	415.2	1,628.4	16.6
51.7	300.0	68.5	880.5	TOTAL IBERIA	1,548.7	75.3*	302.1	24.2
33.5	22.1	3.0	88.0	TOTAL DUTY FREE SALES (U.S.A.)	259.5	84.5	114.5	79.0
-17.9	201.4*	117.4*	922.6	TOTAL CANADA	1,663.8	135.2*	78.2*	-4.5
--	--	726.0	--	INTER-REGIONAL UNIT ADJUSTMENT	--	1,452.0	--	--
2.5	654.3	442.8*	26,372.2	TOTAL INTERNATIONAL	59,950.5	2,112.5	3,260.2	5.8
				BEER VOLUME (BARRELS 000'S)				
49.3	26.3	16.7	79.7	DOMINICAN REPUBLIC	182.4	17.4	31.0	20.5
				VOLUME (LITERS 000'S)				
4.0	110.0	178.0*	2,866.0	LINDEMAN-AUSTRALIA	4,832.0	310.0*	410.0*	-7.8

2048049797

FEBRUARY				YEAR - TO - DATE				
% OVER PRIOR YEAR	VARIANCE FAV./UNFAV.*			CIGARETTES(MILLIONS)	1989	VARIANCE FAV./UNFAV.*		% OVER PRIOR YEAR
1988	BUDGET	1989	BUDGET			1988		
SUMMARY OF SELECTED MARKETS								
EEC								
5.1	22.4	40.9*	459.1	BENELUX	1,160.8	7.8	124.8	12.0
8.6	141.6	81.1*	1,786.9	FRANCE	3,558.8	270.2*	93.3	2.7
2.1	50.1	185.0*	2,400.0	ITALY	6,230.0	7.0	219.9*	-3.4
-22.1	105.4*	20.2	372.2	UNITED KINGDOM	683.5	84.5*	596.2*	-46.6
-1.5	39.9*	40.5	2,622.5	WEST GERMANY	6,759.2	62.2	728.5	12.1
EEMA								
13.0	26.3	62.1*	227.9	FINLAND	375.3	115.7*	70.5	23.1
31.4	113.7	74.5	475.5	SAUDI ARABIA	1,114.3	291.3	14.2	1.3
-.9	4.3*	34.1	457.1	SWITZERLAND	1,104.6	18.4*	9.3	.8
13.9	110.2	85.2	905.2	TURKEY	1,205.4	454.6*	575.6*	-32.3
14.6	123.1	214.3	966.3	AUSTRALIA	2,150.9	10.9	44.1	2.1
ASIA								
-70.0	545.1*	223.1*	233.9	CHINA	718.9	194.1*	919.3*	-56.1
66.6	96.9	11.6*	242.4	DUTY FREE SOUTH	962.6	454.6	589.5	+100
-83.0	273.7*	245.1*	55.9	HONG KONG	638.8	112.8	117.1*	-15.5
22.1	337.0	93.3*	1,861.7	JAPAN	4,450.3	15.7*	1,200.5	36.9
-.4	4.6*	21.5	1,197.5	PHILIPPINES	2,520.0	66.0	111.6	4.6
-5.0	15.0*	1.0*	283.0	TAIWAN	690.3	85.3	195.1*	-22.0
LATIN AMERICA								
-9.8	128.5*	12.4*	1,176.6	ARGENTINA	2,440.8	64.8	155.6*	-6.0
-3.6	47.8*	174.0	1,271.0	BRAZIL	2,276.5	199.5	172.4	8.2
2.8	4.7	11.2*	169.8	ECUADOR	402.4	3.4	57.1*	-12.4
40.9	435.4	171.0*	1,500.0	MEXICO	3,296.4	45.6*	1,224.8	59.1
48.1	153.0	159.4	471.4	VENEZUELA	1,038.9	291.9	353.3	51.5
IBERIA								
20.0	79.3	122.5*	475.5	SPAIN	1,010.7	155.3*	122.9	13.8
-19.4	207.7*	100.1*	864.9	CANADA	1,556.5	93.5*	98.5*	-6.0

PHILIP MORRIS INTERNATIONAL
LISTING OF LICENSEES, AFFILIATES AND SUBSIDIARIES

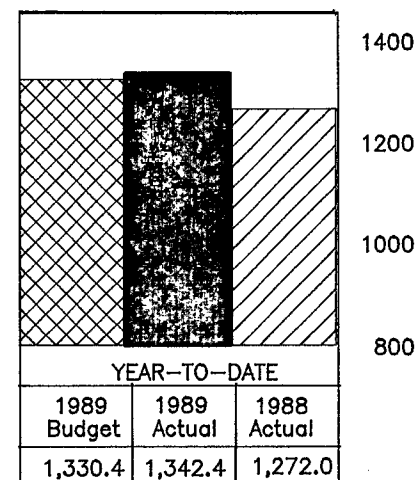
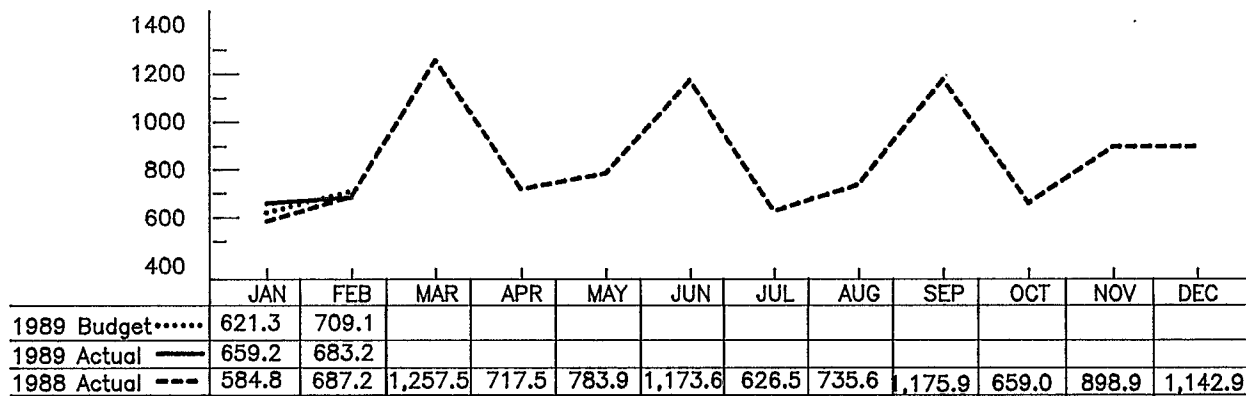
Licensees and Other Manufacturing Arrangements			Principal Subsidiaries and Affiliates	
Country	Manufacturer	Country	Equity Participation Rights (Direct/Indirect)	Subsidiary/Affiliate
Austria	- Austria Tabakwerke A.G.	Belgium	100.00%	- Philip Morris Belgium, S.A.
Belgium	- Jubile S.A.	Germany	100.00	- Philip Morris GmbH
France	- Manufacture Corse de Tabacs Job et Bastos S.A. (Corsica)	Holland	100.00	- Philip Morris Holland B.V.
Greece	- Papastratos Cigarette Mfg. Co.	Italy	100.00	- Intertaba S.p.A.
Holland	- Sigarettenfabriek Ed. Laurens B.V.	U.K.	100.00	- Philip Morris Limited (Branch)
Italy	- Amministrazione Dei Monopoli di Stato		29.35	- Rothmans International plc
Malta	- Austria Tabakwerke A.G.			
West Germany	- Martin Brinkmann A.G.			
Algeria	- Societe Nationale des Tabacs et Allumettes	Nigeria	25.00	- International Tobacco Co. Ltd. (ITCL)
Bulgaria	- Bulgartabac	Switzerland	100.00	- Fabriques de Tabac Reunies, S.A.
Cameroon	- Societe Industrielle des Tabacs du Cameroun		100.00	- Philip Morris Europe, S.A. (Branch)
Cyprus	- Cassandra Trading Ltd.			
Czechoslovakia	- Garanis and Petrides Ltd.			
East Germany	- Ceskoslovensky Tabakovy Priemysel	Australia	100.00	- Philip Morris (Australia) Ltd.
Egypt	- VVB Tabakindustrie		100.00	- Philip Morris Ltd.
Finland	- Egypt International Trading Company		100.00	- Lindeman (Holdings) Ltd.
Hungary	- Amer Tupakka Oy			
Ivory Coast	- Egri Dohanygyar and Monimpex			
La Reunion	- Societe Ivorienne des Tabacs	Hong Kong	100.00	- Philip Morris Asia Inc. (Branch)
Poland	- Societe Industrielle des Tabacs de la Reunion	India	35.93	- Godfrey Phillips India Ltd.
Rep. of S. Africa	- Agros, and ZPT	Pakistan	40.43	- Premier Tobacco Industries Ltd.
Senegal	- Rembrandt Tobacco Mfg. Corporation of South Africa Limited	Japan	100.00	- Philip Morris Kabushiki Kaisha
U.S.S.R.	- Manufacture de Tabac de L'Ouest Africain			
Yugoslavia	- V/O Licensintorg	Canada	40.00	- Rothmans, Benson & Hedges Inc.
	- Duvanski Kambinat-Novii Said			
	- Fabrika Duvana Sarajevo	Argentina	63.79	- Massalin Particulares S.A.
Hong Kong	- Hong Kong Tobacco Co.	Brazil	100.00	- Philip Morris Marketing S.A. (Branch)
Indonesia	- P.T. Perusahaan Dagang Dan Industri Tresno	Costa Rica	51.00	- Tabacalera Costarricense, S.A.
Japan	- Japan Tobacco Incorporated	Dominican Rep.	47.53	- E. Leon Jimenes, C. por A.
Malaysia	- Rothmans of Pall Mall (Malaysia) Bhd.		39.71	- Cervceria Nacional Dominicana, C. por A.
Philippines	- La Suerte Cigar & Cigarette Factory		39.71	- Cervceria Bohemia, S.A.
Singapore	- Hong Kong Tobacco Company	Ecuador	49.43	- Proveedora Ecuatoriana S.A. (Proesa)
			37.89	- Tabacalera Andina, S.A. (Tanasa)
			49.00	- Tabacalera Ecuatoriana Astor Tabea C.A. (Tabea)
Aruba	- Superior Tobacco Co., N.V.		23.52	- Industria Licorera Hispanoamericana S.A. (Ilsa)
Bolivia	- Compania Industrial De Tabacos, S.A.		49.41	- Inmobiliaria Manzanares, S.A. (Imsa)
Chile	- Fabrica de Cigarillos Ltda. (Facil)	El Salvador	51.00	- Tabacalera de El Salvador, S.A. de C.V. (Tasasa)
Peru	- Tabacalera Nacional, S.A.	Guatemala	91.96	- Tabacalera Centroamericana, S.A. (Tacasa)
		Mexico	28.68	- Cigarros La Tabacalera Mexicana, S.A. de C.V. (Cigatam)
Andorra	- Industries Montanya S.A.	Panama	45.00	- Tabacalera Nacional, S.A. (Tabacal)
Portugal	- Tabaqueira E.P.	Puerto Rico	100.00	- Philip Morris de Puerto Rico (Branch)
Spain	- Tabacalera S.A.	Uruguay	89.93	- Abal Hermanos, S.A.
		Venezuela	48.00	- Compania Anonima Tabacalera Nacional, S.A. (Catana)
		Canary Islands	45.00	- Philip Morris Espana, S.A.
		Portugal	40.00	- Philip Morris Portugal, Limitada



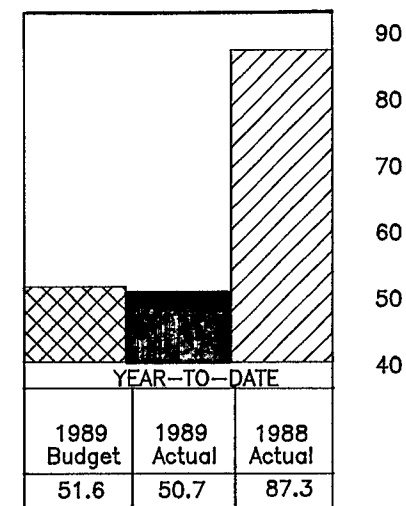
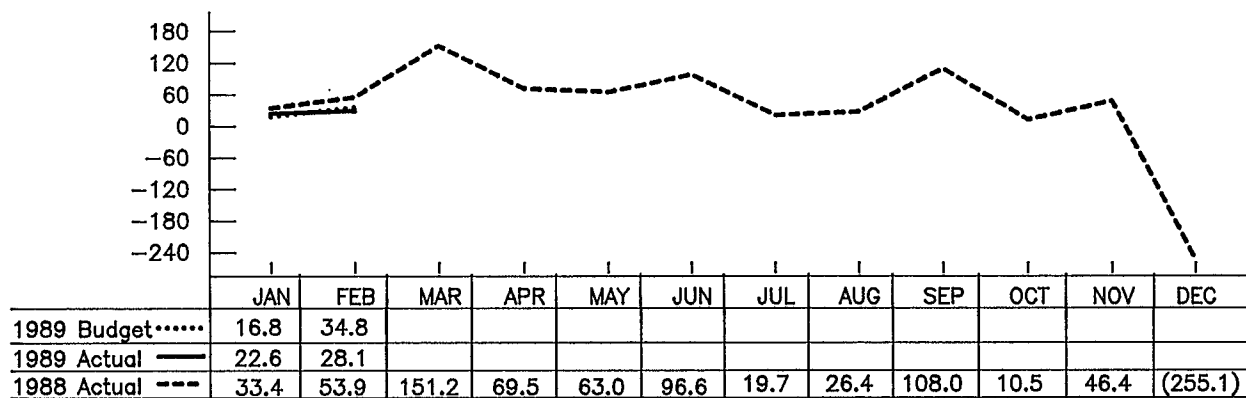
2048049800

General Foods Corporation
OPERATING REVENUES/INCOME FROM OPERATIONS
(In millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



	Vs.	1988	Vs.	Budget
Op. Revenues	Down	1%	Down	4%
Avail. Profit	Down	3%	Down	6%
Income from Oper.	Down	46%	Down	19%
Pre-Tax	Down	74%	Down	38%
Net Earnings	Down	88%	Down	63%

General Foods Corporation
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs. Budget		Vs. 1988	
Op. Revenues	Up	1%	Up	6%
Avail. Profit	Down	2%	Up	3%
Income from Oper.	Down	2%	Down	42%
Pre-Tax	Up	13%	Down	80%
Net Earnings	Down	25%	Down	100+%

FEBRUARY

%	%	% Over	Variance Fav./Unfav. (*)		
1988	1989	Prior Year	1988	Budget	1989
99.8	99.8	-0.5	\$3.7 *	\$25.8 *	\$682.0
0.2	0.2	-20.0	0.3 *	0.1 *	1.2
100.0	100.0	-0.6	4.0 *	25.9 *	683.2
47.5	49.5	4.2	13.5 *	2.5	337.9
4.5	4.6	2.0	0.6 *	0.4	31.2
0.2	-	-88.2	1.5	0.1 *	0.2
47.8	45.9	-5.0	16.6 *	23.1 *	313.9
8.8	7.9	-10.3	6.2	6.0	54.0
39.0	38.0	-3.8	10.4 *	17.1 *	259.9
27.7	29.0	4.7	8.9 *	9.8	198.3
3.1	4.0	28.6	6.1 *	0.2 *	27.4
1.4	1.2	-16.3	1.6	0.3	8.2
(0.2)	-	-33.3	0.3 *	0.3 *	0.2
(0.1)	-	50.0	0.2 *	1.0	(0.2)
31.9	34.2	6.3	13.9 *	10.6	233.9
0.6	0.3	-41.7	1.5 *	0.2 *	2.1
7.7	4.1	-47.9	25.8 *	6.7 *	28.1
2.2	1.2	-16.3	1.6	2.6	8.2
1.0	1.0	-	-	0.1 *	6.8
0.4	0.3	-8.7	0.2	0.2 *	2.1
(0.3)	0.5	+100.0+	2.1 *	0.5 *	3.1
3.3	3.0	1.5	0.3 *	1.8	20.2
4.4	1.1	-76.8	26.1 *	4.9 *	7.9
2.4	0.9	-72.5	16.6	2.2	6.3
2.0	0.2	-85.6	\$9.5 *	\$2.7 *	\$1.6

YEAR-TO-DATE

		Variance Fav./Unfav.(*)				
	1989	Budget	1988	% Over Prior Year	% 1989	% 1988
	-----	-----	-----	-----	-----	-----
Net Sales	\$1,339.8	\$12.3	\$70.6	5.6	99.8	99.8
Royalties	2.6	0.3 *	0.2 *	-7.1	0.2	0.2
	-----	-----	-----			
TOTAL OPERATING REVENUES	1,342.4	12.0	70.4	5.5	100.0	100.0
	-----	-----	-----			
Variable Cost of Sales	672.0	25.7 *	60.5 *	9.9	50.1	48.1
Shipping Expense	58.5	-	2.2 *	3.9	4.4	4.4
Lifo Adjustment	0.1	0.2 *	2.3	-95.8	-	0.2
	-----	-----	-----			
MARGINAL CONTRIBUTION	611.8	13.9 *	10.0	1.7	45.5	47.3
	-----	-----	-----			
Fixed Manufacturing Costs	106.7	5.0	6.6	-5.8	7.9	8.9
	-----	-----	-----			
AVAILABLE PROFIT	505.1	8.9 *	16.6	3.4	37.6	38.4
	-----	-----	-----			
Marketing	387.3	7.1	42.6 *	12.4	28.9	27.1
General and Administrative	54.8	0.3 *	9.3 *	20.4	4.1	3.6
Research and Development	17.5	0.6	1.6	-8.4	1.2	1.5
Currency Trans. and Hedging Cost, Net	0.2	0.1 *	1.3 *	-100.0+	-	(0.3)
Other (Income)/Deductions, Net	(0.2)	0.1 *	0.1 *	33.3	-	-
Divestiture and Write-downs	-	-	-	-	-	-
	-----	-----	-----			
TOTAL EXPENSE	459.6	7.2	51.7 *	12.7	34.2	31.9
	-----	-----	-----			
Equity in Net Earnings of Unconsolidated Subsidiaries and Affiliates	5.2	0.8	1.5 *	-22.4	0.4	0.5
	-----	-----	-----			
INCOME FROM OPERATIONS BEFORE INTEREST, GOODWILL AND ASSESSMENTS	50.7	0.9 *	36.6 *	-41.9	3.8	7.0
	-----	-----	-----			
Interest Expense/(Income), Net	18.7	2.9	1.9 *	11.3	1.4	1.7
Amortization of Goodwill	13.6	-	0.1 *	0.7	1.0	1.1
Corporate Assessments, General and Administrative	4.2	0.4 *	0.3	-6.7	0.3	0.4
Corporate Assessments, Interest	4.5	0.5 *	0.3 *	7.1	0.3	-
	-----	-----	-----			
	41.0	2.0	2.0 *	5.1	3.0	3.2
	-----	-----	-----			
EARNINGS BEFORE INCOME TAXES	9.7	1.1	38.6 *	-79.9	0.8	3.8
	-----	-----	-----			
Provision for Income Taxes	10.3	0.9 *	20.8	-66.9	0.8	2.0
	-----	-----	-----			
NET EARNINGS	(\$0.6)	\$0.2	\$17.8 *	-100.0+	-	1.8
	=====	=====	=====			

COMPARATIVE STATEMENT OF OPERATIONS - GENERAL FOODS CORPORATION

Page D-1

2048049802

GENERAL FOODS CORPORATION
SUMMARY OF UNIT VOLUME, OPERATING REVENUES AND INCOME FROM OPERATIONS
(in millions)

For the Month Ending February 28,

	UNIT VOLUME					OPERATING REVENUES					INCOME FROM OPERATIONS				
	Variance Fav./Unfav. (*)					Variance Fav./Unfav. (*)					Variance Fav./Unfav. (*)				
	1989	Budget	%	1988	%	1989	Budget	%	1988	%	1989	Budget	%	1988	%
GF Worldwide Coffee & Int'l	13.8	0.8 *	-5.8	0.7 *	-4.6	\$265.2	\$13.0 *	-4.7	\$19.9 *	-7.0	\$3.0	\$ -	-1.1	\$17.3 *	-85.2
GF- USA	16.6	0.7 *	-4.1	0.2 *	-1.0	258.5	9.2 *	-3.4	12.4	5.0	19.4	3.6 *	-15.5	6.6 *	-25.4
Oscar Mayer Foods	81.2	0.8	1.0	6.2	8.3	159.5	3.7 *	-2.3	7.3	4.8	7.4	3.1 *	-29.9	2.6 *	-26.0
General Foods Corporate						-	-		3.8 *		(1.7)	-		0.7	
Total General Foods						\$683.2	\$25.9 *	-3.7	\$4.0 *	-0.6	\$28.1	\$6.7 *	-19.3	\$25.8 *	-47.9
						=====	=====		=====		=====	=====		=====	

For the Two Months Ending February 28,

	UNIT VOLUME					OPERATING REVENUES					INCOME FROM OPERATIONS				
	Variance Fav./Unfav. (*)					Variance Fav./Unfav. (*)					Variance Fav./Unfav. (*)				
	1989	Budget	%	1988	%	1989	Budget	%	1988	%	1989	Budget	%	1988	%
GF Worldwide Coffee & Int'l	29.6	0.8	2.7	2.3	8.3	\$593.9	\$26.5	4.7	\$45.6	8.3	\$12.8	\$6.5	+100.0+	\$29.6 *	-69.8
GF- USA	29.2	0.9 *	-3.0	0.4 *	-1.5	455.1	12.7 *	-2.7	21.0	4.8	27.9	4.4 *	-13.5	4.8 *	-14.7
Oscar Mayer Foods	147.2	3.2	2.2	11.3	8.3	293.4	1.8 *	-0.6	13.5	4.8	13.4	3.0 *	-18.1	4.7 *	-26.0
General Foods Corporate						-	-		9.7 *		(3.4)	-		2.5	
Total General Foods						\$1,342.4	\$12.0	0.9	\$70.4	5.5	\$50.7	\$0.9 *	-1.7	\$36.6 *	-41.9
						=====	=====		=====		=====	=====		=====	

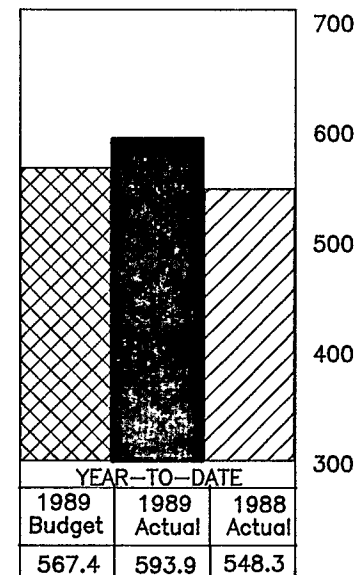
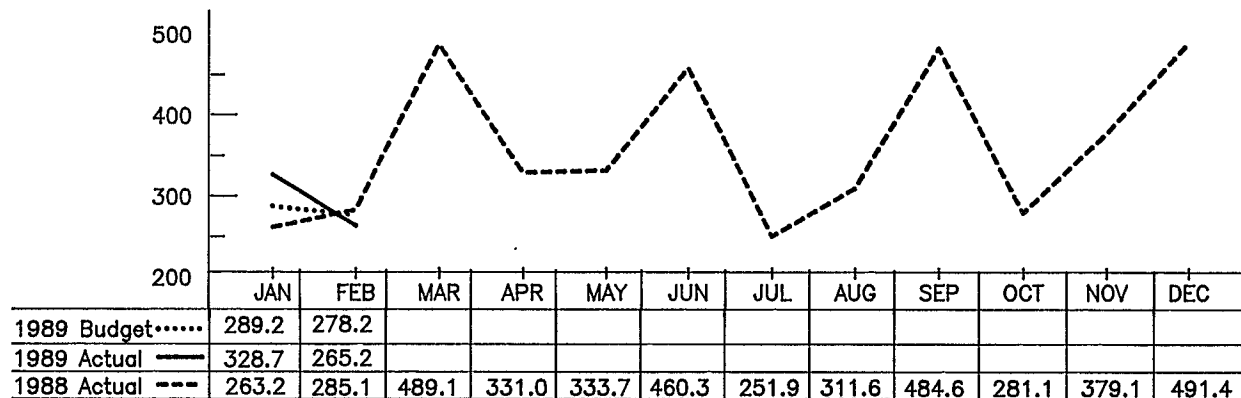
SUMMARY OF UNIT VOLUME, OPERATING REVENUES AND INCOME FROM OPERATIONS

2048049804

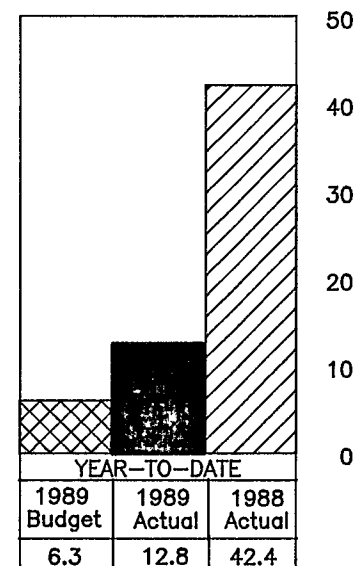
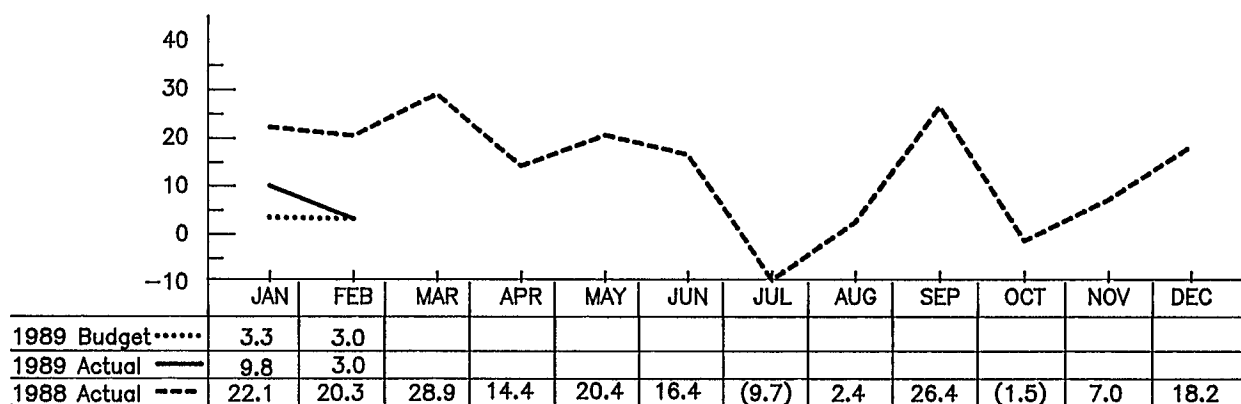
GF Worldwide Coffee & International
OPERATING REVENUES/INCOME FROM OPERATIONS

(in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



GENERAL FOODS WORLDWIDE
COFFEE & INTERNATIONAL

General Foods Worldwide Coffee & International volume for the month of February was 5.8% below budget and 4.6% lower than last year. Income from operations at \$3.0 million was on budget, but was \$17.3 million lower than the prior year.

- The volume decline versus budget is principally a function of a shift in monthly sales pace in Canada and Sweden plus intense competitive pressures in the UK, France and Germany. These factors were partly offset by higher volumes in Japan and World Trade, as well as lower than anticipated distributor defections in the Food Service business.

The variation versus last year is primarily attributable to lower sales in Maxwell House, as a result of the heavy January pricing buy-in, poor weather and economic conditions in Brazil, the integration of the Canadian Hostess Frito-Lay business, and lower sales in Food Service.

- Income from operations was on budget due to a combination of factors. Maxwell House was significantly higher than budget as a result of favorable product mix and lower costs, while World Trade and Food Service exceeded plan because of higher volume. These positive results were offset by the volume declines in Europe and Canada, and lower margins in Italy.

Versus last year, income from operations was down \$17.3 million. Major factors are the volume declines in Maxwell House, Canada and Brazil, unfavorable mix in France, lower margins in the UK and Germany, and higher research and development costs in Headquarters. Favorable volume results in Korea, Mexico and World Trade provided a partial offset.

Other items of note are:

- The AMCO operation in Houston suffered a serious setback when a water vessel exploded. The subsequent disruption in decaffeinated production has created the need for alternate sourcing. Maxwell House management is currently assessing sourcing options.
- The Food Service business has experienced its first incident of distributor backlash in the aftermath of the Kraft acquisition. Two major Sysco branches have declined to participate in business building programs and have de-emphasized General Foods brands. Although Food Service has not received official word from Sysco Headquarters of their intent to de-emphasize General Foods products, it is anticipated soon.
- The Hostess Frito-Lay management group has been put in place and the first joint consumer promotion is now in production. The next major steps will be the integration of the sales forces and the closure of the Laval Plant.
- Burger King has expressed interest in developing a major branded breakfast program. Their primary objective is to double their breakfast business via an "umbrella branded" strategy. One of the major branded categories is coffee. Plans are underway between Maxwell House and the Food Service business to present a proposal which will target the youth market.

R. L. Seelert

Page E-1

2048049806

	Vs.	1988	Vs.	Budget
Unit Volume	Down	5%	Down	6%
Op. Revenues	Down	7%	Down	5%
Avail. Profit	Down	13%	Down	6%
Income from Oper.	Down	85%	-	-
Pre-Tax	Down	86%	Up	100+%
Net Earnings	Down	86%	Up	100+%

General Foods Worldwide
Coffee & International

COMPARATIVE STATEMENT OF OPERATIONS

(in millions of dollars)

	Vs. Budget	Vs. 1988
Unit Volume	Up 3%	Up 8%
Op. Revenues	Up 5%	Up 8%
Avail. Profit	Up 3%	Up 3%
Income from Oper.	Up 100+%	Down 70%
Pre-Tax	Up 100+%	Down 75%
Net Earnings	Up 100+%	Down 76%

-----FEBRUARY-----

% 1988	% 1989	% Over Prior Year	Variance Fav./Unfav. (*)		
			1988	Budget	1989
		-4.6	0.7 *	0.8 *	13.8
99.6	99.7	-6.9	\$19.7 *	\$12.8 *	\$264.4
0.4	0.3	-20.0	0.2 *	0.2 *	0.8
100.0	100.0	-7.0	19.9 *	13.0 *	265.2
48.5	52.4	0.4	0.6 *	5.7	138.9
3.7	3.3	-15.2	1.6	0.4	8.9
0.3	(0.3)	-100.0+	1.8	0.2 *	(0.9)
47.5	44.6	-12.6	17.1 *	7.1 *	118.3
7.0	6.7	-11.5	2.3	0.9	17.7
40.5	37.9	-12.8	14.8 *	6.2 *	100.6
29.9	31.3	-2.6	2.2	6.1	83.0
3.6	5.2	31.7	3.3 *	0.7 *	13.7
1.2	1.2	-3.0	0.1	0.2	3.2
-	0.1	-	0.2 *	0.3 *	0.2
(0.1)	(0.2)	-33.3	0.1	1.0	(0.4)
34.6	37.6	1.1	1.1 *	6.3	99.7
1.2	0.8	-40.0	1.4 *	0.1 *	2.1
7.1	1.1	-85.2	17.3 *	-	3.0
0.7	0.1	-83.3	1.5	2.4	0.3
-	-	-	-	-	0.1
0.7	0.1	-78.9	1.5	2.4	0.4
6.4	1.0	-85.9	15.8 *	2.4	2.6
2.8	0.4	-86.3	6.9	0.7 *	1.1
3.6	0.6	-85.6	\$8.9 *	\$1.7	\$1.5

-----YEAR-TO-DATE-----

1989	Budget	1988	% Over Prior Year	% 1989	% 1988
29.6	0.8	2.3	8.3		
\$592.2	\$26.9	\$45.6	8.3	99.7	99.7
1.7	0.4 *	-	-	0.3	0.3
593.9	26.5	45.6	8.3	100.0	100.0
312.9	16.4 *	42.5 *	15.7	52.7	49.3
18.0	0.1 *	1.7	-8.6	3.0	3.6
(2.0)	0.2 *	3.5	-100.0+	(0.3)	0.3
265.0	9.8	8.3	3.2	44.6	46.8
41.1	3.4 *	2.9 *	7.6	6.9	6.9
223.9	6.4	5.4	2.5	37.7	39.9
182.9	1.6 *	28.0 *	18.1	30.8	28.3
27.0	1.2 *	4.8 *	21.6	4.5	4.0
6.4	0.4	-	-	1.1	1.2
0.1	-	0.7 *	-100.0+	-	(0.1)
(0.2)	1.7	-	-	-	-
216.2	0.7 *	33.5 *	18.3	36.4	33.4
5.1	0.8	1.5 *	-22.7	0.9	1.2
12.8	6.5	29.6 *	-69.8	2.2	7.7
3.2	2.3	1.7	-34.7	0.5	0.9
0.3	-	-	-	0.1	-
3.5	2.3	1.7	-32.7	0.6	0.9
9.3	8.8	27.9 *	-75.0	1.6	6.8
4.0	3.7 *	11.3	-73.9	0.7	2.8
\$5.3	\$5.1	\$16.6 *	-75.8	0.9	4.0

**GENERAL FOODS WORLDWIDE
COFFEE & INTERNATIONAL**

----- FEBRUARY -----				
FAVORABLE/UNFAVORABLE(*)				
VARIATION VERSUS				
1988		BUDGET		
%	UNITS	%	UNITS	1989
-14.1	0.4*	1.6	-	2.4
-14.9	0.2*	11.5	0.1	1.0
-22.1	0.4*	-21.2	0.4*	1.5
- 1.2	-	-14.9	0.7*	4.1
1.7	-	3.0	0.1	2.8
19.6	0.3	2.9	0.1	2.0
- 4.6	0.7*	- 5.8	0.8*	13.8

SUMMARY OF UNIT VOLUME
(MILLIONS OF UNITS)

MAXWELL HOUSE
FOOD SERVICE
CANADA
EUROPE
WORLD TRADE/LATIN AMERICA
ASIA/PACIFIC

TOTAL

SUMMARY OF OPERATING REVENUES
(MILLIONS OF DOLLARS)

-11.6	\$10.0*	7.1	\$ 5.0	\$ 75.9
- 5.7	1.2*	9.8	1.9	21.2
-36.2	13.7*	-26.9	8.9*	24.2
0.4	0.5	- 9.3	12.0*	117.1
15.9	3.2	3.9	0.9	23.6
69.4	1.3	2.5	0.1	3.2
- 7.0	\$19.9*	- 4.7	\$13.0*	\$265.2

MAXWELL HOUSE
FOOD SERVICE
CANADA
EUROPE
WORLD TRADE/LATIN AMERICA
ASIA/PACIFIC

TOTAL

SUMMARY OF INCOME FROM OPERATIONS
(MILLIONS OF DOLLARS)

+100.0-	\$ 3.9*	79.2	\$ 7.3	\$ 1.9*
-18.7	0.1*	+100.0+	0.6	0.6
-63.9	1.4*	-81.6	3.5*	0.8
-83.7	9.0*	-73.5	4.8*	1.8
-13.9	0.5*	21.8	0.6	3.1
- 7.1	0.2*	- 4.5	0.1*	2.2
+100.0-	2.2*	- 2.9	0.1*	3.6*
-85.2	\$17.3*	- 1.1	\$ -	\$ 3.0

TOTAL

----- YEAR-TO-DATE -----				
FAVORABLE/UNFAVORABLE(*)				
VARIATION VERSUS				
	BUDGET		1988	
1989	UNITS	%	UNITS	%
7.3	1.5	25.0	2.8	63.8
2.0	0.5	30.1	-	-0.9
2.8	0.5*	-16.1	0.5*	-16.0
8.3	1.0*	-10.4	0.4*	-4.9
5.2	0.2	4.7	0.1*	-2.4
4.0	0.1	3.4	0.5	14.9
29.6	0.8	2.7	2.3	8.3

\$223.1	\$46.6	26.0	\$ 82.2	58.3
40.9	8.0	24.3	4.2	11.6
45.8	10.8*	-19.1	23.1*	-33.6
235.6	19.7*	- 7.7	18.1*	- 7.1
41.7	2.0	5.1	1.1*	- 2.5
6.8	0.4	7.3	1.5	27.7
\$593.9	\$26.5	4.7	\$45.6	8.3

\$ 1.7	\$14.5	+100.0+	\$2.4*	-59.1
1.8	3.0	+100.0+	2.6	+100.0+
0.7	6.3*	-90.4	2.6*	-79.4
5.1	7.0*	-58.0	19.6*	-79.3
5.3	1.3	32.8	3.5*	-40.0
5.0	0.9	21.8	0.3*	- 5.4
6.8*	0.1	2.0	3.8*	+100.0-
\$ 12.8	\$6.5	+100.0+	\$29.6*	-69.8

**GENERAL FOODS WORLDWIDE
COFFEE & INTERNATIONAL
MARKET AND SHARE ACTIVITY**

	Latest Period Act.* GF Share/ PP Change Vs. Yr-Ago	Market Percent Change Vs. L.Y.	General Foods Share/ PP Change Vs. L.Y.	LATEST 12 MONTHS ACTUAL*			
				MAJOR COMPETITOR SHARES			
				Major Competitor	Share/PP Change Vs. L.Y.	Other Major Competitors	Share/PP Change Vs. L.Y.
COFFEE FRANCHISES							
Worldwide - Total*	23.7/+0.8	-2	22.9/-1.3	Nestle	22.2/+0.6	Jacobs	5.1/-0.2
Worldwide - Ground*	21.0/+0.9	-1	20.1/-1.4	Nestle	8.3/+0.9	Jacobs	7.4/-0.4
Worldwide - Soluble*	28.2/+0.6	-2	27.5/-1.1	Nestle	45.6/+0.1	P&G	7.5/+0.3
Int'l. - Total*	16.3/+0.6	-	16.3/+0.4	Nestle	24.3/+0.0	Jacobs	8.3/-0.5
Int'l. - Ground*	11.9/+0.7	-	11.7/+0.4	Nestle	5.1/+0.6	Jacobs	12.8/-0.9
Int'l. - Soluble*	22.7/+0.5	-	22.7/+0.5	Nestle	52.0/-0.8		
No.Amer.- Total Coffee*	33.7/+1.4	-4	31.9/-2.9	Nestle	21.6/+0.7	P&G	24.5/+1.1
No.Amer.- Ground Coffee*	33.5/+2.1	-4	31.5/-2.9	Nestle	12.5/+1.3	P&G	29.6/+0.9
No.Amer.- Soluble Coffee*	34.1/+0.3	-6	32.6/-2.9	Nestle	36.6/ 0.0	P&G	16.1/+1.2
U.S. - Total***	33.9/+3.6	-4	34.1/-1.7	Nestle	18.8/+0.3	P&G	29.3/+1.0
U.S. - Ground***	32.3/+4.4	-3	32.5/-2.3	Nestle	12.7/+1.3	P&G	31.8/+0.5
U.S. - Soluble***	37.4/+3.3	-6	37.6/-2.9	Nestle	32.4/+0.4	P&G	23.8/+2.1
U.S. - Decaf***	41.0/-0.8	-2	42.1/-4.8	Nestle	22.7/-0.8	P&G	26.1/+3.8
Canada - Ground*	34.8/+5.6	-2	28.5/+1.9	Jacobs	25.3/-2.3		
Canada - Soluble*	39.8/-4.5	-3	41.5/-1.1	Nestle	42.3/-1.6		
Europe - Total Coffee*	13.0/+0.8	+1	12.9/+0.4	Nestle	18.4/+0.5	Jacobs	9.8/-0.6
Europe - Ground Coffee*	10.7/+0.5	-	10.8/+0.4	Nestle	4.6/+0.6	Jacobs	12.5/-0.8
Europe - Soluble Coffee*	18.6/+1.5	+1	18.0/+0.5	Nestle	51.3/+0.1		
U.K. - Ground**	26.2/+4.3	+8	22.7/-1.3	Lyons	18.0/ 0.0		
U.K. - Soluble**	21.7/+1.2	+1	20.7/+0.7	Nestle	47.6/+1.4		
Germany - Groun**d	4.9/-0.6	-1	5.6/+0.5	Jacobs	20.0/-1.5		
Germany - Ground Decaf**	16.6/-4.0	+7	17.4/-1.3	Jacobs	11.0/ 0.0		
Spain - Ground**	24.0/-0.0	+5	22.4/-0.7	Nestle	21.1/+1.5	Douwe	19.2/-0.8
Sweden - Ground*	38.6/+5.3	-2	36.4/+2.0	Lofbergs	16.0/-0.8		
Denmark - Ground**	32.0/+2.0	-7	28.7/-0.1	Jacobs	12.2/-1.4	Douwe	20.7/+0.3
France - Soluble*	15.8/+0.8	+3	15.9/+1.4	Nestle	65.1/-0.9		
Asia/Pac - Total Coffee*	27.5/+0.5	+2	29.0/+1.1	Nestle	50.1/-0.7		
Asia/Pac - Roast Coffee*	4.1/-1.6	+6	4.4/-0.3	Nestle	11.0/+3.9		
Asia/Pac - Soluble Coffee*	33.2/+1.3	+1	33.9/+1.6	Nestle	58.2/-1.2		
Japan - Soluble**	18.7/-0.7	-3	19.2/-0.5	Nestle	72.5/+1.1		
Korea - Soluble*	94.5/-2.2	+19	95.9/+0.2				
OTHER FRANCHISES							
Sweetened PSD*	70.4/+2.0	+2	67.2/+0.1				
Unsweetened PSD*	97.3/+2.1	-3	95.2/-0.2				
Canada - Snacks*	35.2/+0.7	-	33.5/-0.1	Frito-Lay	13.9/-1.4		
France - Gum*	87.1/+2.7	+7	88.7/+2.7				
Italy - Canned Meat*	74.2/+0.9	+3	74.4/-0.9				
Brazil - Ice Cream(1)*	76.2/-4.4	+11	80.0/-0.7	Unilever	11.1/+0.9		
Canada - Cereals*	12.1/+2.0	+3	11.1/+1.1	Kellogg's	44.8/-1.5	Nabisco	16.0/-0.3

(1) Severe coverage problems in the Brazilian Retail Panel.

* Information corresponds to November 1988

** Information corresponds to December 1988

*** Information corresponds to Sami 4 week period ending January 27, 1989.

GENERAL FOODS COFFEE & INTERNATIONAL
OPERATING STRUCTURE AND KEY FRANCHISES

EQUITY
PARTICIPATION

Maxwell House Division	100.0%	Maxwell House, Maxwell House Master Blend, Maxwell House Private collection, Yuban, Sanka, Brim, Maxwell House and Yuban decaffeinated coffees, Maxim, General Foods International coffees; Instant Postum Cereal Beverage
Food Service Products Division	100.0	GF brand name coffees, cold beverages, desserts and other food products for the food service industry
General Foods Canada		
- General Foods Inc. (Canada)	100.0	Maxwell House, Sanka, Chase & Sanborn, Melrose, and Dickson's coffees; Royal and Jell-O desserts; Baker's chocolate; Kool-Aid powdered soft drink mix; Kool-Aid Coolers liquid beverages; Tang flavor crystals; Post cereals; and other food and beverage products
- The Hostess Frito-Lay Company	50.0	Hostess and Frito-Lay snacks
General Foods Europe		
- General Foods Limited (England)	100.0	Maxwell House, Master Blend, Gevalia, Hag, ONKO, Bird's, Kenco and Saimaza brand coffee; Bird's desserts; Max Pax vending; Tang and Cefrisch powdered beverage mixes; Hollywood chewing gum; Crema and La Vosgienne candies; Simmenthal processed meats and Mareblu tuna fish; Kockens spices; Reisfit rice mixes; and other food and beverage products
- Alfred Bird & Sons (Ireland)	100.0	
- Crema Limited (Ireland)	100.0	
- Hag GF AG (Germany)	99.5	
- General Foods A.B. (Sweden)	100.0	
- Saimaza, S.A. (Spain)*	100.0	
- Simmenthal, S.p.A. (Italy)*	67.0	
- General Foods France, S.A.	100.0	
- Skandinavisk Kaffe Kompagni A/S (Denmark)*	40.0	
- Cresset Limited (Ireland)	100.0	
- Crippa e Berger, S.p.A. (Italy)	25.0	
General Foods Latin America		
- General Foods de Mexico, S.A.	99.9	Q-Refres-Ko, Ki-Suco, Fresh, Kool-Aid and Tang beverage mixes; Kibon ice cream; Jell-O desserts; Rosa Blanca and Consomate soups; Maxwell House and Cafe Oro coffees; and other food products
- Kibon, S.A. (Brazil)	97.5	
- Q-Refres-Ko, (Brazil)*	45.0	
- General Foods, Inc. (Puerto Rico)	100.0	
- Colombina General Foods, S.A. (Colombia)	49.0	
General Foods Asia/Pacific		
- Ajinomoto General Foods, Inc. (Japan)*	50.0	Maxwell House, Maxim, and Blendy instant coffees; non-dairy creamers; Tang and Kool-Aid beverage mixes; cereals; and other food products
- Dong Suh Foods Corporation (Korea)*	49.0	
- General Foods Philippines, Inc.	100.0	
- Premierfoods (Taiwan)*	50.0	
- Dong Mei (China)*	50.0	
- Guang Tong (China)*	50.0	
- Tian Mei (China)*	50.0	
- Kothari General Foods Corporation Ltd. (India)*	33.0	
General Foods World Trade		
- Gevalia Kaffee Import Service	100.0	Franchise development in worldwide markets where GF has no equity investment through exporting, licensing, or countertrade. Gevalia Kaffee Import Services supplies a U.S. mail order coffee business.
- GF Trading Corporation	100.0	

* Joint Venture/Equity Investment

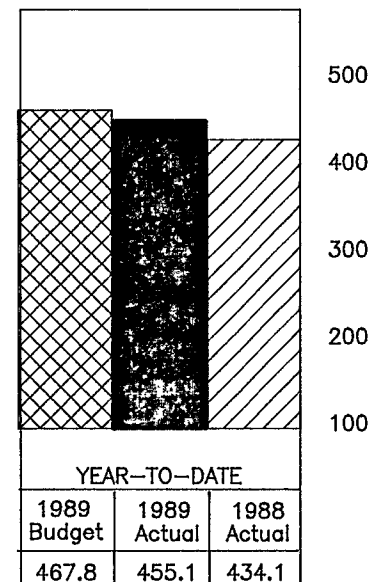
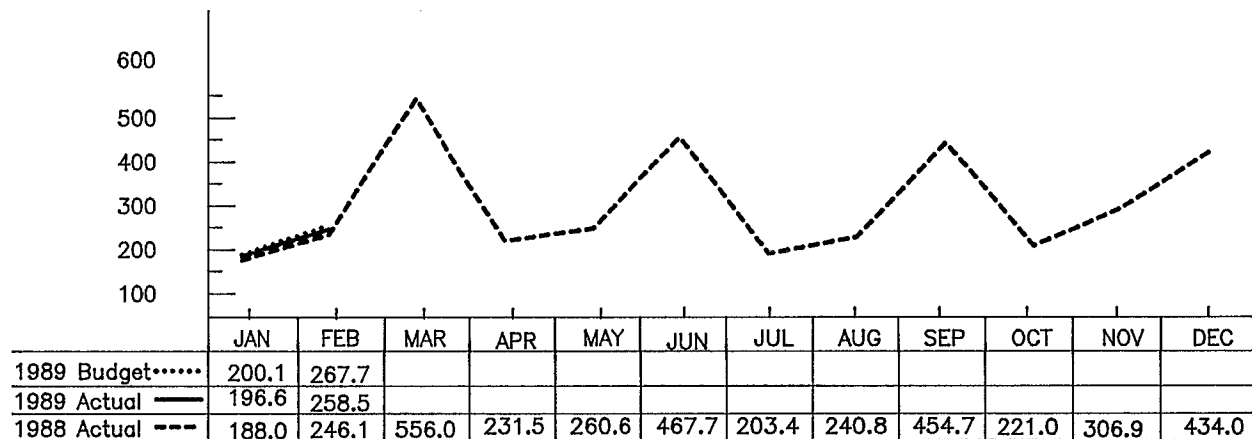


2048049811

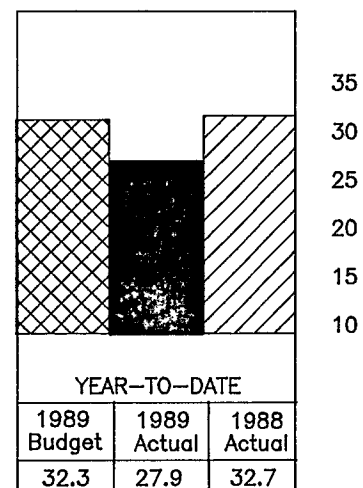
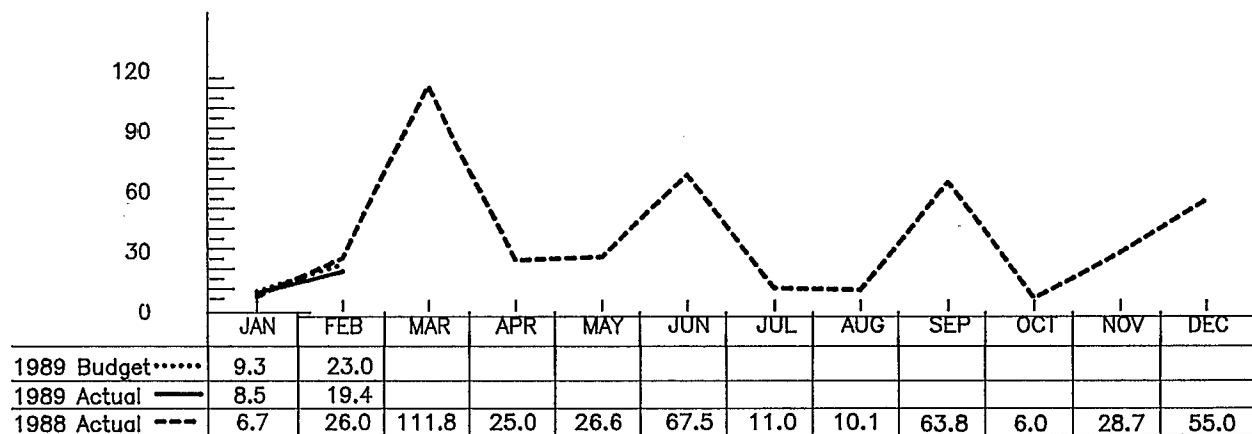
General Foods USA
OPERATING REVENUES/INCOME FROM OPERATIONS

(in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



GENERAL FOODS USA

February 1989 volumes were 0.7 million units or 4.1% below Original Budget and down 0.2 million units or 1.0% from last year, due primarily to lower Post Cereal volumes partially offset by continued strength in powdered soft drinks.

February volumes were below Original Budget due primarily to lower share in Post Cereals along with continued liquidation of trade inventories following late 1988 cereal pricing. Also, heavy competitive activity in the oat bran segment is causing share declines on Post bran products (Raisin Bran, Fruit 'N Fibre). Dry Desserts also continued to feel the residual effect of the trade working down inventories following late 1988 pricing on Jell-O Gelatin. This trend has begun to reverse as inventories are lowered and late March Quarter promotional events begin. The impact of a late 1988 decision to delay expansion of Refrigerated Desserts and reduce marketing spending, to balance supply and demand further contributed to below budget performance. Positive volume results were registered in the Beverage unit on continued strength in powdered soft drinks driven by a stronger than planned market entering the year and higher off-season consumption. In addition, an early frozen vegetable sell-in prior to March Frozen Food Month has bolstered Birds Eye volumes. Versus last year, volume declines in Post Cereals have been mitigated by strength in Beverages coupled with the impact of geographic expansion of Refrigerated Desserts.

Operating revenues were \$9.2 million or 3.4% below budget on lower volumes, while exceeding last year by \$12.4 million or 5.0%, as most businesses increased prices during 1988 to recover commodity and packaging material cost increases.

Income from Operations of \$19.4 million fell below Original Budget by \$3.6 million, reflecting volume performance. Compared to last year, income from operations was \$6.6 million lower as the earnings impact of lower volumes and higher promotional spending in Post is partially offset by strong Beverage volumes, Bakery pricing and cost containment programs, and the discontinuance of the Thomas Garraway and Culinova businesses.

Other significant events include:

- o Frozen Desserts trade released three new products nationally and expanded Kool-Aid Kool Pops to 100% of the U.S. (from 55% last year). Jell-O Citrus Snowburst Bars (soft frozen drink bars), Baker's Fudge-Tastics (ice cream sundaes on a stick) and Chocolate Peanut Butter Swirl Pudding Pops are experiencing trade acceptance in line with expectations.
- o Post began selling in to the trade a new oat based cereal product - Honey Bunches of Oats, which is planned for national trade release in April. This will be GF's second new product entry in response to the shift in consumer health consciousness from bran to oat based products.
- o In February, Dry Desserts introduced jumbo pack Jell-O Gelatin and Jell-O Instant Pudding (six 6 oz. packages) nationally to club store accounts. Initial sell-in is exceeding expectations.
- o Jell-O 1-2-3, a new self-layering gelatin based dessert, was trade released nationally in February following successful lead market experience in 1988. Jell-O 1-2-3 is a reintroduction of a GF product from the early 1970's. This new version is quality improved with superior taste and easier preparation.
- o Boboli, a premium cheese flavored pizza-like bread, was expanded into the Arizona and Denver market areas in February. Sales in the existing areas of Marin, Sonoma and Sacramento continue to run above plan.

E. R. Shames

Page F-1

2048049813

	Vs.	1988	Vs.	Budget
Unit Volume	Down	1%	Down	4%
Op. Revenues	Up	5%	Down	3%
Avail. Profit	Up	3%	Down	5%
Income from Oper.	Down	25%	Down	16%
Pre-Tax	Down	26%	Down	17%
Net Earnings	Down	29%	Down	19%

General Foods USA
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs. Budget	Vs. 1988
Unit Volume	Down 3%	Down 2%
Op. Revenues	Down 3%	Up 5%
Avail. Profit	Down 4%	Up 4%
Income from Oper.	Down 14%	Down 15%
Pre-Tax	Down 16%	Down 16%
Net Earnings	Down 20%	Down 22%

-----FEBRUARY-----

% 1988	% 1989	% Over Prior Year	Variance Fav./Unfav. (*)		
			1988	Budget	1989
		-1.0	0.2 *	0.7 *	16.6
99.8	100.0	5.2	\$12.7	\$9.3 *	\$258.4
0.2	-	-75.0	0.3 *	0.1	0.1
100.0	100.0	5.0	12.4	9.2 *	258.5
37.4	38.3	7.6	7.0 *	0.2	99.1
4.1	4.6	18.0	1.8 *	0.1	11.8
0.2	0.2	-16.7	0.1	0.2	0.5
58.3	56.9	2.6	3.7	8.7 *	147.1
9.6	9.3	1.7	0.4 *	2.1	24.1
48.7	47.6	2.8	3.3	6.6 *	123.0
32.5	34.3	10.9	8.7 *	3.0	88.7
3.7	4.3	24.4	2.2 *	0.1 *	11.2
2.0	1.4	-28.6	1.4	0.1	3.5
(0.1)	0.1	+100.0+	0.4 *	-	0.2
38.1	40.1	10.6	9.9 *	3.0	103.6
10.6	7.5	-25.4	6.6 *	3.6 *	19.4
0.7	0.5	-17.6	0.3	-	1.4
0.1	0.1	-	-	0.1 *	0.3
0.8	0.6	-15.0	0.3	0.1 *	1.7
9.8	6.9	-26.3	6.3 *	3.7 *	17.7
3.8	2.8	-21.7	2.0	1.2	7.2
6.0	4.1	-29.1	\$4.3 *	\$2.5 *	\$10.5

UNIT VOLUME (in millions)

Net Sales
Royalties

TOTAL OPERATING REVENUES

Variable Cost of Sales
Shipping Expense
Lifo Adjustment

MARGINAL CONTRIBUTION

Fixed Manufacturing Costs

AVAILABLE PROFIT

Marketing
General and Administrative
Research and Development
Currency Trans. and Hedging Cost, Net
Other Deductions (Income), Net

TOTAL EXPENSE

INCOME FROM OPERATIONS BEFORE INTEREST,
GOODWILL AND ASSESSMENTS

Interest Expense/(Income), Net
Amortization of Goodwill

EARNINGS BEFORE INCOME TAXES

Provision for Income Taxes

NET EARNINGS

-----YEAR-TO-DATE-----

1989	Variance Fav./Unfav. (*)			% Over Prior Year	% 1989	% 1988
	Budget	1988				
29.2	0.9 *	0.4 *	-1.5			
\$455.0	\$12.8 *	\$21.3	4.9	100.0	99.9	
0.1	0.1	0.3 *	-75.0	-	0.1	
455.1	12.7 *	21.0	4.8	100.0	100.0	
175.3	1.7 *	10.1 *	6.1	38.5	38.1	
21.7	0.2	3.4 *	18.6	4.8	4.2	
1.0	0.1	0.4 *	66.7	0.2	0.1	
257.1	14.1 *	7.1	2.8	56.5	57.6	
42.3	4.6	1.7	-3.9	9.3	10.1	
214.8	9.5 *	8.8	4.3	47.2	47.5	
156.3	6.7	10.9 *	7.5	34.3	33.5	
22.4	0.1	4.1 *	22.4	4.9	4.2	
8.1	0.2	1.7	-17.3	1.8	2.3	
-	-	0.2 *	-100.0	-	-	
0.1	1.9 *	0.1 *	+100.0	0.1	-	
186.9	5.1	13.6 *	7.8	41.1	40.0	
27.9	4.4 *	4.8 *	-14.7	6.1	7.5	
2.9	0.2 *	0.2	-6.5	0.6	0.7	
0.5	-	-	-	0.1	0.1	
3.4	0.2 *	0.2	-5.6	0.7	0.8	
24.5	4.6 *	4.6 *	-15.8	5.4	6.7	
10.4	1.0	0.6	-5.5	2.3	2.5	
\$14.1	\$3.6 *	\$4.0 *	-22.1	3.1	4.2	

GENERAL FOODS USA

***** FEBRUARY *****

FAVORABLE/UNFAVORABLE(*)
VARIATION VERSUS

***** 1988 ***** BUDGET *****

%	UNITS	%	UNITS	1989
2.6	0.1	-9.6	0.2*	2.3
-	-	-	-	0.5
+100.0+	0.2	-30.6	0.2*	0.4
3.0	-	13.5	0.2	1.5
15.3	0.3	18.4	0.4	2.3
-25.1	0.7*	-22.5	0.6*	2.2
-	-	-	-	1.0
1.3	0.1	-	-	4.6
-8.2	0.1*	-15.4	0.2*	0.9
21.9	0.1	7.0	-	0.5
-	-	-	-	-
-18.7	0.1*	-5.5	0.1*	0.4
-100.0	0.1*	-	-	-
-1.0	0.2*	-4.1	0.7*	16.6

COMPARATIVE UNIT SUMMARY
(IN MILLIONS OF WTD UNITS)

1989

DRY DESSERTS
FROZEN DESSERTS
REFRIGERATED DESSERTS
BIRDS EYE
BEVERAGE
POST
ENHANCERS
BAKERY BUSINESSES
DRY GROCERY BUSINESS
RONZONI
SHELF STABLE MEALS
OTHER BUSINESS UNITS
DISCONTINUED BUS.

TOTAL GF USA

***** YEAR - TO - DATE *****

FAVORABLE/UNFAVORABLE(*)
VARIATION VERSUS

***** BUDGET ***** 1988 *****

1989	UNITS	%	UNITS	%
4.1	0.4*	-8.2	0.1*	-3.1
0.9	0.2*	-21.1	0.2*	-17.7
0.6	0.3*	-30.4	0.3	+100.0+
2.5	0.3	15.1	0.2*	-7.1
3.5	0.8	28.6	0.6	22.0
3.8	0.9*	-18.8	0.5*	-12.1
1.8	-	2.2	0.2	9.2
8.8	0.1*	-1.4	0.1*	-1.6
1.4	0.2*	-10.4	0.4*	-20.1
0.8	-	-	-	-
0.1	-	-	0.1	+100.0+
0.9	0.1	0.3	-	-
-	-	-	0.1*	-100.0
29.2	0.9*	-3.0	0.4*	-1.5

SUMMARY OF OPERATING REVENUES

(IN MILLIONS OF DOLLARS)

%	\$	%	\$	1989	1989	\$	%	\$	%
4.2	\$ 1.4	-8.7	\$ 3.4*	\$ 35.3	\$ 60.7	\$ 6.3*	-9.4	\$ 2.0*	-3.2
4.7	0.4	-8.7	0.8*	7.9	14.1	4.4*	-23.9	1.5*	-9.4
+100.0+	3.5	-30.2	2.6*	6.0	9.2	4.0*	-30.5	5.1	+100.0+
10.9	2.5	16.5	3.6	25.5	40.4	6.1	17.9	0.3*	-0.6
26.5	7.5	25.4	7.2	35.6	56.9	15.4	37.3	14.9	35.6
-20.5	9.2*	-24.4	11.5*	35.7	64.4	16.3*	-20.2	3.3*	-4.9
8.8	1.2	5.1	0.7	14.7	27.5	2.4	9.8	5.1	23.1
8.6	5.6	-0.6	0.5*	70.7	134.5	2.6*	-1.9	7.0	5.5
-2.8	0.4*	-14.9	2.1*	12.3	20.3	2.4*	-10.4	3.4*	-14.3
31.4	1.9	9.8	0.7	8.1	13.2	-	0.2	0.4	3.2
17.3	0.1	23.7	0.1	0.5	0.7	-	-0.1	0.7*	-48.0
-13.7	1.0*	-11.6	0.7*	6.1	13.2	0.7*	-6.2	1.7	12.9
-85.4	0.3*	+100.0+	0.1	0.1	-	0.1	+100.0+	0.3*	-85.1
-100.0	0.8*	-	-	-	-	-	-	1.7*	-100.0
5.0	\$ 12.4	-3.4	\$ 9.2*	\$ 258.5	\$ 455.1	\$ 12.7*	-2.7	\$ 21.0	4.8

SUMMARY OF INCOME FROM OPERATIONS

(IN MILLIONS OF DOLLARS)

%	\$	%	\$	1989	1989	\$	%	\$	%
13.9	\$ 1.0	-17.5	\$ 1.8*	\$ 8.3	\$ 12.5	\$ 4.4*	-26.0	\$ 2.9*	-18.6
-61.1	0.5*	-47.1	0.4*	(1.3)	(2.9)	1.4*	-91.2	1.9*	-100.0+
-38.4	0.5*	-100.0+	1.1*	(1.9)	(3.3)	1.7*	-100.0+	0.8*	-30.7
-26.8	0.7*	80.2	0.8	1.8	2.2	1.6	+100.0+	1.8*	-45.6
69.8	3.3	80.6	3.6	8.1	11.6	7.4	+100.0+	6.7	+100.0+
-100.0+	10.3*	-100.0+	5.2*	(3.4)	(5.7)	7.5*	-100.0+	9.6*	-100.0+
6.0	0.3	7.4	0.4	5.1	9.6	1.4	17.1	1.8	23.0
15.1	0.7	-	-	5.5	9.4	0.3*	-3.2	0.9	10.1
-46.2	0.6*	-43.3	0.5*	0.7	0.8	0.5*	-37.6	1.6*	-66.6
75.5	0.4	70.8	0.3	(0.1)	(0.7)	0.3	28.9	0.3	29.1
-	-	-	-	(1.3)	(2.5)	0.1	4.0	0.6*	-28.6
13.7	0.3	73.9	0.5	1.3	3.2	1.0	44.0	1.4	76.2
-41.0	1.0*	-6.0	0.2*	(3.4)	(6.3)	0.4*	-7.4	1.1	36.2
100.0	1.0	-	-	-	-	-	-	2.2	100.0
-25.4	\$ 6.6*	-15.5	\$ 3.6*	\$ 19.4	\$ 27.9	\$ 4.4*	-13.5	\$ 4.8*	-14.7

GENERAL FOODS USA

Market and Share Activity

	Latest Period* Act. Gen. Foods Share/ pp Change vs. L.Y.	Market Percent Change vs. L.Y.	General Foods Share/ pp Change vs. L.Y.	Latest 12 Months Actual			
				Major Competitor Shares			
				Major Competitor	Share/pp Change vs. L.Y.	Other Major Competitor	Share/pp Change vs. L.Y.
<u>Desserts</u>							
Gelatin	76.3/-3.2pp	-1.3%	76.4/-1.0pp	Royal	16.1/+1.2pp	Private Label	7.4/-0.3pp
Pudding	75.5/-2.5pp	-6.1%	76.2/-0.7pp	Royal	13.9/+0.7pp	Private Label	9.9/0.0pp
Frozen Toppings	55.9/-2.8pp	+1.0%	61.0/+0.9pp	LaCreme	8.2/-1.0pp	Private Label	27.4/-0.3pp
Frozen Novelties***	7.4/-1.7pp	-1.5%	8.8/-2.9pp	Popsicle	8.6/-0.2pp	Wt.Watchers	5.6/+1.0pp
<u>Birds Eye</u>							
Frozen Vegetables	14.2/+0.6pp	+2.0%	14.9/+0.3pp	Green Giant	13.2/+0.2pp	Private Label	51.3/-0.7pp
<u>Beverage</u>							
Powdered Soft Drinks	81.6/+2.1pp	+1.4%	82.3/+3.1pp	Lipton	8.0/-3.4pp		
Liquid Beverages	12.2/+1.7pp	+17.5%	13.8/+0.9pp	Hi-C	22.7/-0.2pp		
<u>Post</u>							
Cereals	** 12.6/+0.1pp	+3.3%	** 12.5/-0.8pp	Kellogg	41.3/-1.1pp	General Mills	21.0/+0.6pp
<u>Enhancers</u>							
Syrups	19.5/+0.3pp	-1.6%	20.5/-1.1pp	Quaker	21.4/+0.2pp	Lever Brothers	14.3/-0.2pp
<u>Dry Grocery Business</u>							
Dried Rice	9.7/-2.9pp	+0.9%	9.9/-0.4pp	Uncle Ben's	16.3/-1.2pp		
Instant Stuffing	89.3/+1.4pp	-1.2%	88.5/+2.0pp	Rice-A-Roni	4.4/-1.2pp	Betty Crocker	2.2/-1.2pp
<u>Ronzoni</u>							
Dry Pasta	6.5/-1.8pp	+1.2%	7.8/-0.4pp	Borden	29.8/+0.9pp	Hershey	16.2/+0.5pp

* SAMI #292 (1/27), Nielsen Scantrack (1/28).

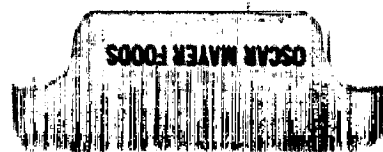
** GF USA share adjusted to include volume through sources not measured by SAMI.

*** Nielsen Scantrack (12/31).

GENERAL FOODS USA

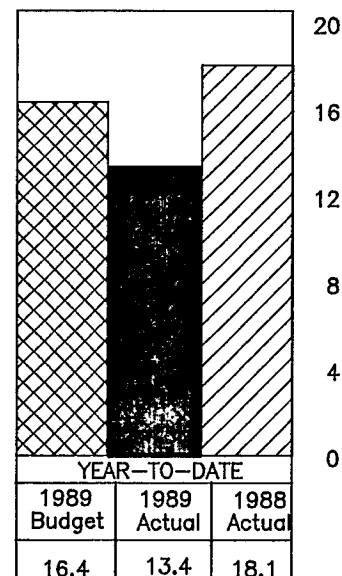
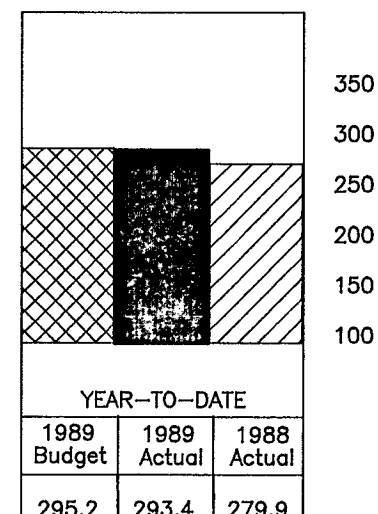
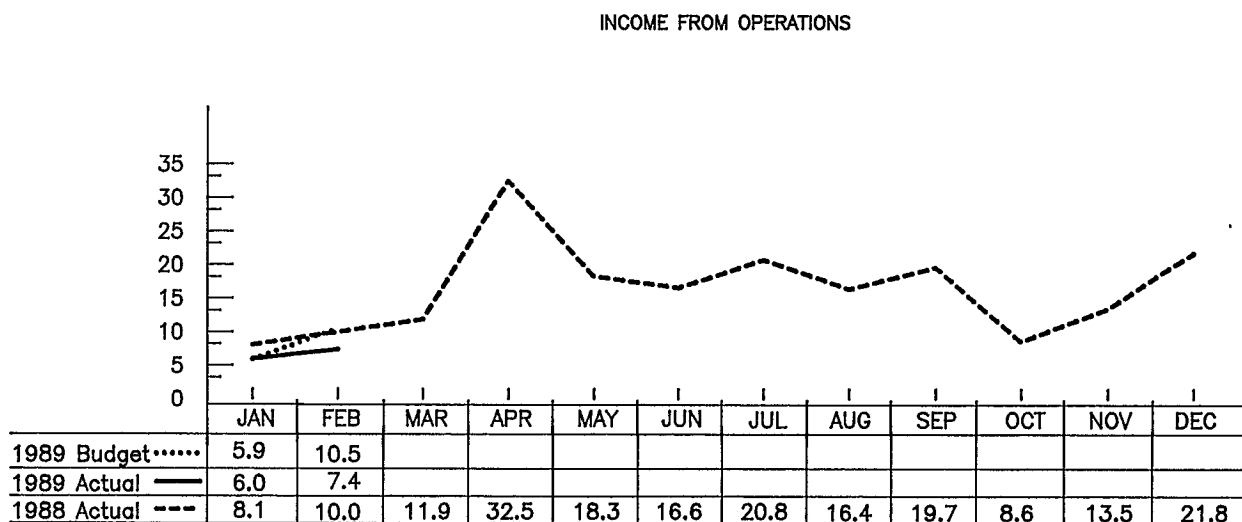
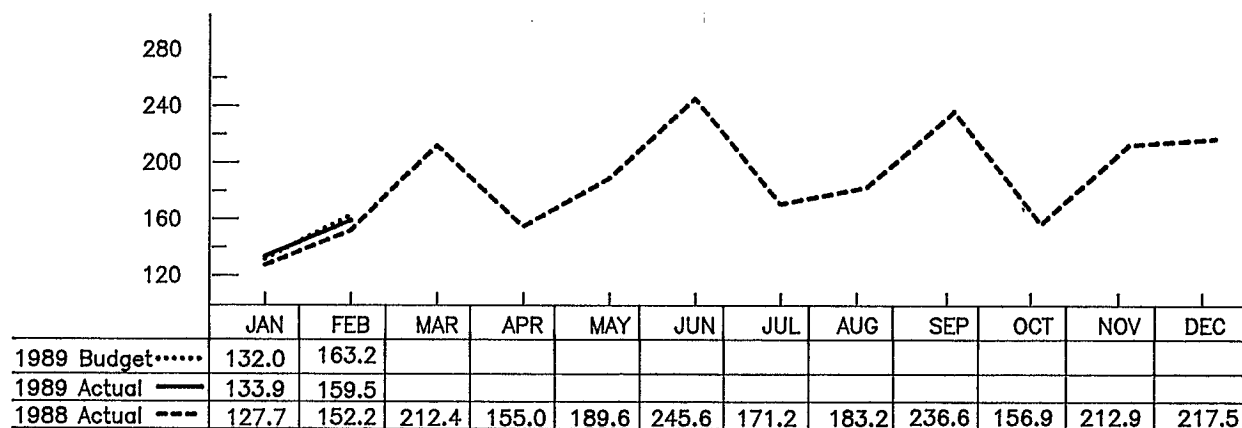
KEY FRANCHISES

Dry Packaged Desserts	Jell-O brand packaged dessert products; D-Zerta brand desserts and topping mix; Dream Whip whipped topping mix; Minute brand tapioca; Baker's chocolate and coconut products; Calumet baking powder; Certo and Sure-Jell brand fruit pectins; and production of gelatin and fruit pectins.
Frozen Desserts	Jell-O brand frozen novelties; and Cool Whip brand frozen toppings.
Refrigerated Desserts	Jell-O brand ready-to-eat refrigerated desserts.
Specialty Foods	Thomas Garraway specialty foods.
Birds Eye	Birds Eye quick-frozen vegetables and fruits.
Beverage Division	Kool-Aid and Crystal Light powdered soft drink mixes; Kool-Aid Coolers liquid beverages; Country Time lemonade flavor powdered drink mix; Tang instant breakfast drink; Tang Fruit Box liquid beverage.
Post Division	Post cereals.
Enhancers Division	Shake'N Bake and Oven Fry seasoned coating mixes; Good Seasons salad dressing mix; Log Cabin syrups.
Bakery Businesses	Entenmann's sweet baked goods; Oroweat specialty breads and rolls including Boboli; Freihofer breads and sweet baked goods.
Dry Grocery Business	Minute Rice; Stove Top stuffing mix.
Ronzoni	Ronzoni dry pasta and frozen entrees.
Shelf Stable Meals	Impromptu shelf stable entrees.
All Other	Overseas Military Sales (sale of General Foods USA brands through overseas military commissaries); California Vegetable Concentrates (dehydrated vegetables); Carton and Container Business (printing and fabrication of product cartons and packaging).



2048049818

Oscar Mayer Foods
OPERATING REVENUES/INCOME FROM OPERATIONS
(in millions of dollars)



OSCAR MAYER FOODS

February volume was essentially on budget and 8.3% above 1988. The volume variance to budget reflects strong performance by the Louis Rich and Claussen brands, partially offset by shortfalls in the Oscar Mayer brand.

Operating revenues of \$159.5 million were 2.3% less than budget, reflecting the volume shortfalls in the Oscar Mayer brand, lower commodity costs on turkey breastmeat and bellies, and product mix shifts to lower revenue items.

Income from operations of \$7.4 million, was \$3.1 million below the budget. The primary contributing factors were the volume shortfall in the Oscar Mayer brand and distress sales on both Oscar Mayer and Louis Rich. Against 1988, income from operations was down \$2.6 million, stemming from lower pricing in the Oscar Mayer brand, increased development program funding, and higher costs in the Louis Rich brand.

Overall, livestock and poultry prices were fairly stable during February, with pork and chicken trending steadily and cattle and turkey trending upward. February hog slaughter was the third largest in history which resulted in lower prices, 13% below a year ago and 1% less than January. The hog prices translated into lower prices on hams, trimmings, and bellies versus last year and budget. The February price for hogs was the lowest since 1980. As a result of lower supply and continued good demand, turkey prices were up substantially over 1988 but still below budget. Turkey breastmeat was 46% higher than a year ago and 13% below budget. Cattle prices continued to remain at a high level and are not expected to rise much for the remainder of the year. Beef trimmings and cow meat are essentially on budget and slightly above last year. However, pork, turkey, and chicken are expected to increase over the next several months.

Zappetites were introduced into the Chicago region on February 20th. The initial trade response has been enthusiastic as most of the major accounts have authorized all items. Featuring activity has been substantial and initial shipments have exceeded expectations.

Also in February, it was announced that Sara Lee had purchased Hygrade for \$140 million. This action will intensify competition against the Oscar Mayer brand, particularly in the hot dog category. With this acquisition, Sara Lee will have a total corporate hot dog share of 21% versus 18% for Oscar Mayer. Oscar Mayer will remain the number one brand in the hot dog category with a share of over 14%. In other related news, Oscar Mayer filed a suit in Federal Court against Bryan Foods, a Sara Lee subsidiary, to halt false advertising of processed meat products.

Civil disturbances in Venezuela in late February caused the Ven Pack plant to close for three days. The situation seems to be stabilizing.

J. W. McVey

Page G-1

2048049820

	Vs.	198	Vs.	Budget
Unit Volume	Up	8%	Up	1%
Op. Revenues	Up	5%	Down	2%
Avail. Profit	Up	1%	Down	11%
Income from Oper.	Down	26%	Down	30%
Pre-Tax	Down	24%	Down	28%
Net Earnings	Down	19%	Down	22%

Oscar Mayer Foods
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs.	Budget	Vs.	1988
Unit Volume	Up	2%	Up	8%
Op. Revenues	Down	1%	Up	5%
Avail. Profit	Down	8%	Down	1%
Income from Oper.	Down	18%	Down	26%
Pre-Tax	Down	16%	Down	24%
Net Earnings	Down	10%	Down	19%

-----FEBRUARY-----

% 1988	% 1989	% Over Prior Year	Variance Fav./Unfav. (*)		
			1988	Budget	1989
		8.3	6.2	0.8	81.2
99.8	99.8	4.8	\$7.3	\$3.7 *	\$159.2
0.2	0.2	-	-	-	0.3
100.0	100.0	4.8	7.3	3.7 *	159.5
59.6	62.6	10.1	9.2 *	3.4 *	99.9
6.5	6.6	7.1	0.7 *	0.1 *	10.5
0.1	0.4	+100.0+	0.4 *	0.1 *	0.6
33.8	30.4	-5.8	3.0 *	7.3 *	48.5
10.1	7.6	-20.8	3.2	3.0	12.2
23.7	22.8	0.6	0.2	4.3 *	36.3
15.7	16.7	11.3	2.7 *	0.7	26.6
0.7	0.7	-	-	0.6	1.1
0.7	0.8	9.1	0.1 *	-	1.2
-	-	-	-	-	-
-	-	-	-	-	-
17.1	18.2	10.7	2.8 *	1.3	28.9
-	-	-	-	0.1 *	-
6.6	4.6	-26.0	2.6 *	3.1 *	7.4
0.1	0.1	-50.0	0.1	0.1	0.1
0.1	(0.1)	-100.0	0.1	0.1	(0.1)
0.2	-	-100.0	0.2	0.2	-
6.4	4.6	-24.5	2.4 *	2.9 *	7.4
2.7	1.7	-31.7	1.3	1.6	2.8
3.7	2.9	-19.3	\$1.1 *	\$1.3 *	\$4.6

-----YEAR-TO-DATE-----

1989	Budget	1988	% Over Prior Year	% 1989	% 1988
147.2	3.2	11.3	8.3		
\$292.6	\$1.8 *	\$13.5	4.8	99.7	99.7
0.8	-	-	-	0.3	0.3
293.4	1.8 *	13.5	4.8	100.0	100.0
183.8	7.6 *	18.0 *	10.9	62.6	59.2
18.8	0.1 *	0.9 *	5.0	6.4	6.4
1.1	0.1 *	0.7 *	+100.0+	0.4	0.2
89.7	9.6 *	6.1 *	-6.4	30.6	34.2
23.3	3.8	5.4	-18.8	8.0	10.2
66.4	5.8 *	0.7 *	-1.0	22.6	24.0
48.1	2.0	4.4 *	10.1	16.4	15.6
2.6	0.8	0.7	-21.2	0.9	1.2
2.4	-	0.4 *	20.0	0.8	0.7
-	-	-	-	-	-
-	-	-	-	-	-
53.1	2.8	4.1 *	8.4	18.1	17.5
0.1	-	0.1	+100.0	0.1	-
13.4	3.0 *	4.7 *	-26.0	4.6	6.5
0.1	0.3	0.3	-75.0	-	0.2
(0.1)	0.1	0.1	+100.0	-	-
-	0.4	0.4	-100.0	-	0.2
13.4	2.6 *	4.3 *	-24.3	4.6	6.3
5.1	1.7	2.4	-32.0	1.8	2.7
\$8.3	\$0.9 *	\$1.9 *	-18.6	2.8	3.6

COMPARATIVE STATEMENT OF OPERATIONS - OSCAR MAYER FOODS

Page G-2

128649821

OSCAR MAYER FOODS

<u>February</u>				
Favorable/Unfavorable(*) Variation Versus				
1988		Budget		1989
%	Lbs.	%	Lbs.	
2.7	1.2	- 4.3	2.1*	48.1
17.4	4.2	7.8	2.1	28.6
+100.0	0.9	13.2	0.1	1.2
- 4.4	0.1*	28.7	0.7	3.3
8.3	6.2	1.0	0.8	81.2
=====	=====	=====	=====	=====
%	\$	%	\$	1989
- 5.4	\$ 5.5*	- 5.9	\$ 6.0*	96.1
23.1	10.3	1.9	1.0	54.6
+100.0	2.8	11.8	0.4	3.5
- 5.3	0.3*	20.7	0.9	5.3
4.8	\$ 7.3	- 2.3	\$ 3.7*	159.5
=====	=====	=====	=====	=====
%	\$	%	\$	1989
-18.5	\$ 1.5*	-28.1	\$ 2.5*	6.5
-43.0	0.7*	-60.3	1.4*	0.9
-81.7	0.8*	35.2	1.0	(1.8)
23.4	0.4	- 8.3	0.2*	1.8
-26.0	\$ 2.6*	-29.9	\$ 3.1*	7.4
=====	=====	=====	=====	=====

Summary of Processed Volume
(Millions of Lbs.)

Oscar Mayer
Louis Rich
Development
All Other (1)

Total Oscar Mayer

Summary of Operating Revenues
(\$ In Millions)

Oscar Mayer
Louis Rich
Development
All Other (1)

Total Oscar Mayer

Summary of Income From Operations
(\$ In Millions)

Oscar Mayer
Louis Rich
Development
All Other (1)

Total Oscar Mayer

<u>Year-To-Date</u>				
Favorable/Unfavorable(*) Variation Versus				
1989	Budget		1988	
	Lbs.	%	Lbs.	%
89.2	2.0*	- 2.2	2.6	3.0
50.0	3.7	7.9	7.7	18.2
2.0	0.4	25.2	1.4	+100.0
6.0	1.1	23.0	0.4*	- 6.9
147.2	3.2	2.2	11.3	8.3
=====	=====	=====	=====	=====
1989	\$	%	\$	%
183.3	7.1*	- 3.7	8.6*	- 4.5
94.1	2.5	2.8	18.3	24.1
5.9	1.4	29.5	4.6	+100.0
10.1	1.4	16.7	0.8*	- 7.7
293.4	1.8*	- 0.6	13.5	4.8
=====	=====	=====	=====	=====
1989	\$	%	\$	%
12.7	1.2*	- 8.4	4.3*	-25.4
1.3	2.1*	-60.6	1.0	+100.0
(4.2)	0.4	9.6	2.2*	-100.0+
3.6	0.1*	- 4.5	0.8	27.1
13.4	3.0*	-18.1	4.7*	-26.0
=====	=====	=====	=====	=====

(1) Includes Claussen, Chef's Pantry, International, Pension/LIFO(Income only), and the Prima Divestiture.

OSCAR MAYER FOODS
MARKET AND SHARE ACTIVITY

Product	Latest Period Act.* Oscar Mayer Share/pp Change Vs. L.Y.	Market Percent Change Vs. L.Y.	Oscar Mayer Share/pp Change Vs. L.Y.	Latest 12 Months Actual**			
				Major Competitor Shares			
				Major Competitor	Share/pp Change Vs. L.Y.	Other Major Competitor	Share/pp Change Vs. L.Y.
Luncheon Meat	34.8%/(0.1)pp	2.1%	35.0%/ 0.5 pp	Beatrice	5.4%/(0.1)pp	Sara Lee	6.9%/ 0.9 pp
Oscar Mayer	25.1%/(0.4)pp		25.9%/ 0.1 pp	Eckrich	3.2%/(0.3)pp	Bryan	2.0%/ 0.1 pp
Louis Rich	9.7%/ 0.3 pp		9.1%/ 0.4 pp	Butterball	1.9%/ 0.3 pp	Mr. Turkey	1.8%/ 0.5 pp
Hot Dogs	18.9%/ 1.1 pp	2.6%	18.2%/ 0.6 pp	Sara Lee	21.2%/ 1.2 pp	Sara Lee	21.2%/ 1.2 pp
Oscar Mayer	13.8%/(0.6)pp		14.5%/(0.1)pp	Ballpark (Hygrade)	7.3%/ - pp	Kahns	3.4%/(0.1)pp
Louis Rich	5.1%/ 1.7 pp		3.6%/ 0.6 pp	Grillmaster (Hygrade)	1.9%/ 0.4 pp	Mr. Turkey	1.7%/ 0.1 pp
Bacon	12.8%/ 2.2 pp	3.8%	12.4%/ 0.6 pp	Con Agra	6.6%/ 0.8 pp	Wilson	5.2%/ 0.2 pp
				Armour	4.8%/ 0.7 pp		
Pickles	11.5%/ 0.1 pp	(0.7)%	11.1%/ 0.2 pp	Vlasic	30.5%/(1.0)pp	Heinz	5.6%/(0.6)pp

*Latest period is the Scantrack period ending 1/28/89.

**Latest 13 periods end with the Scantrack period ending 1/28/89.

OSCAR MAYER FOODS


OPERATING STRUCTURE AND KEY FRANCHISES

Domestic

- Retail
Oscar Mayer and Louis Rich luncheon meats, hot dogs; Oscar Mayer bacon, ham, and other meat products; Louis Rich Breast of Turkey, fresh turkey cuts and other meat products; Claussen refrigerated pickles; Kemp Foods (crab flavored surimi seafood).
- Foodservice
Oscar Mayer and Louis Rich brand meat products; Claussen pickles; and Kemp Foods (crab flavored surimi seafood).

International	Equity Participation	
- Venezolana Empacadora, C.A. (Venezuela)	89%	Oscar Mayer, Louis Rich, Prima (OH Fresh), Ven Pack, Ital Salumi, dry cured sausages; Negroni salami and dry cured hams.
- Prima Meat Packers, LTD. (Japan)*	5%	
- Pietro Negroni, S.p.A. (Italy)*	25%	
- Oscar Mayer-CP Co., Ltd. (Thailand)*	40%	

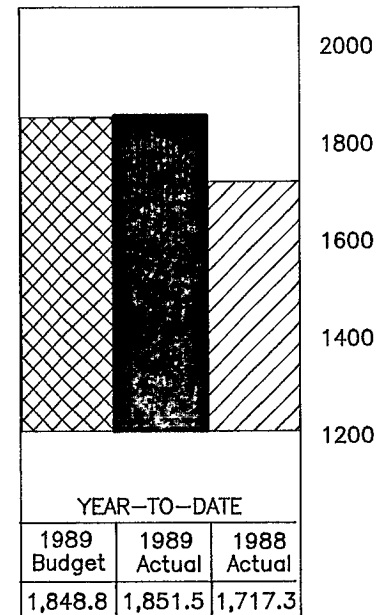
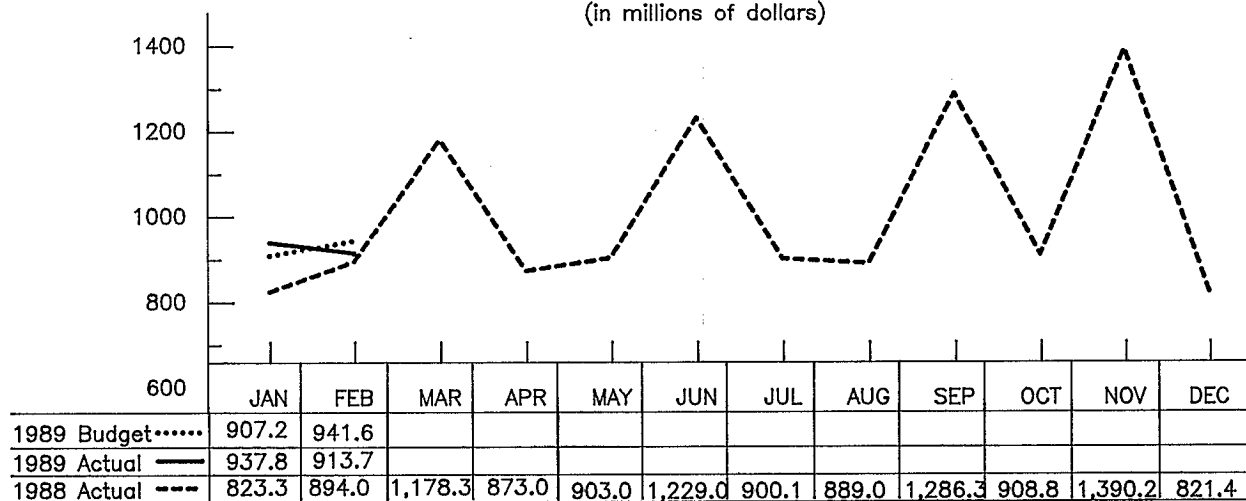
*Joint Venture/Equity Investment



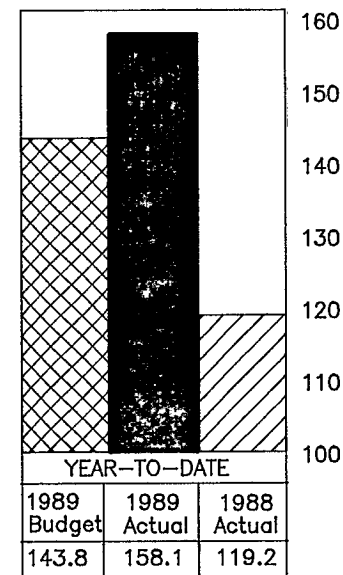
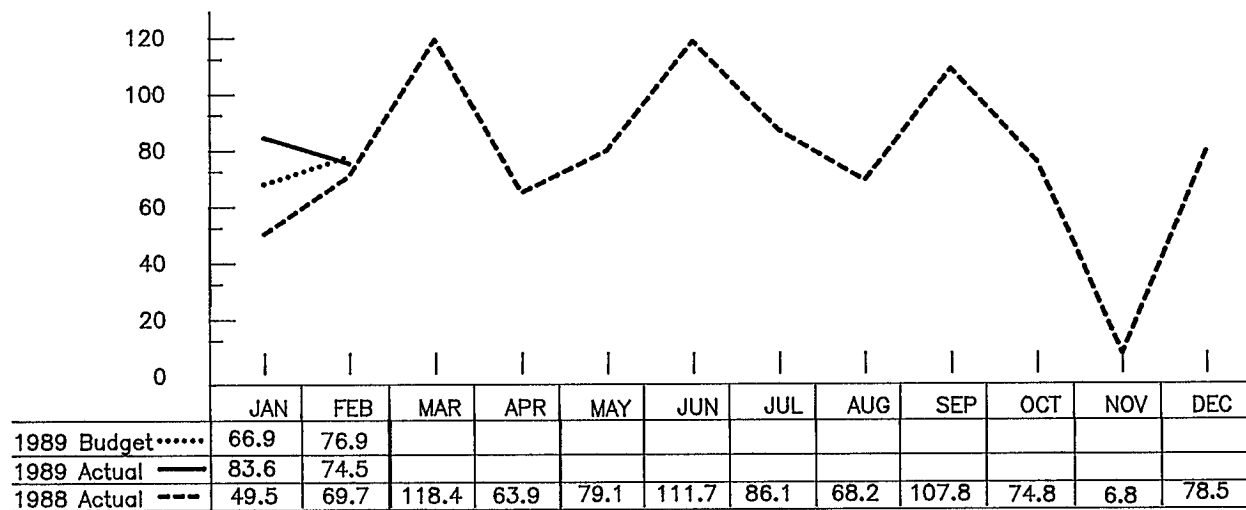
2048049825

Kraft, Inc.
OPERATING REVENUES

OPERATING REVENUES/INCOME FROM OPERATIONS
(in millions of dollars)



INCOME FROM OPERATIONS



KRAFT, INC.

Kraft, Inc. volume of 779 million pounds for the month of February was 4% below Original Budget and 6% behind 1988. Operating revenues of \$914 million were 3% below Original Budget but 2% ahead of 1988. Income from operations of \$75 million was \$2 million or 3% below Original Budget but \$5 million or 7% greater than last year.

The unfavorable volume variance versus Original Budget was caused by shortfalls at several groups. Grocery Products Group - both viscous and margarine continue to be impacted by category softness and increased competitive activity; pourables volume was slightly below budget due to weaker than expected results from the February corporate promotion and possible shifting of tonnage from February to March. Foodservice - experienced shortfalls in all Metro Regions resulting primarily from adverse weather conditions. Food Ingredients - experienced shortfalls in both oil products and specialty ingredients, resulting from soft demand following a very strong January. International - volume reflected shortfalls in all regions, primarily in Canada, due to January trade loading prior to February price increase.

Compared to prior year, the decline was primarily driven by the Grocery Products Group, due to the continued shortfalls in the viscous and margarine categories, and by the Dairy Group due to continued ice cream category softness. In addition, the comparison to last year reflects a significant shortfall in citrus volume caused by the sale of the business at the end of 1988. International volume reflected significant shortfalls at Canada, resulting from the February price advance, and Latin America.

Operating revenues unfavorability to budget is primarily volume driven. Versus prior year, the improvement was primarily the result of pricing actions taken in the latter half of 1988.

The shortfall in income from operations versus Original Budget was due to shortfalls in the Refrigerated and Grocery Products Groups. Refrigerated's \$6 million shortfall reflected a portion of the acquisition-related inventory write-up being charged through cost of products during February, higher than anticipated trade deal costs, and product mix effects. Grocery's \$5 million shortfall was driven primarily by volume declines partially offset by lower than budgeted oil costs. Partially offsetting these shortfalls were strong Operations' productivity savings, \$3 million above budget. Versus 1988, the \$5 million improvement was due to productivity and margin improvements (resulting from 3Q-4Q 1988 pricing actions) which more than offset volume declines.

Other significant events include:

- o Commodity prices continued to drop in February to well below budget levels, but do appear to be leveling off. The potential for widened price gaps versus competition remains as a high concern. We will continue to closely monitor and evaluate our position, taking action as necessary.
- o New product developments:
 - o Breyers Light, Light n' Lively 100 Yogurt, and Breakstone's Light Choice continued to surpass their volume targets for the month.
 - o Relaunch of "Double Top" pizza began with sales of 19% over Original Budget.
 - o Versatile Side Dishes continued its successful introduction with volume 15% ahead of Original Budget.

Michael A. Miles

Page H-1

2048049827

	Vs.	1988	Vs.	Budget
Unit Volume	Down	6%	Down	4%
Op. Revenues	Up	2%	Down	3%
Avail. Profit	Up	-	Down	3%
Income from Oper.	Up	7%	Down	3%
Pre-Tax	Down	100+%	Down	100+%
Net Earnings	Down	100+%	Down	100+%

Kraft, Inc.
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs.	Budget	Vs.	1988
Unit Volume	Down	1%	Down	1%
Op. Revenues	Up	-	Up	8%
Avail. Profit	Up	1%	Up	8%
Income from Oper.	Up	10%	Up	33%
Pre-Tax	Down	100+%	Down	100+%
Net Earnings	Down	100+%	Down	100%

-----FEBRUARY-----

% 1988	% 1989	% Over Prior Year	Variance Fav./Unfav. (*)		
			1988	Budget	1989
		-6.3	52.7 *	29.5 *	779.0
			=====	=====	=====
100.0	100.0	2.2	19.7	27.9 *	913.7
60.7	61.5	3.4	18.7 *	12.3	562.1
5.7	5.6	0.5	0.3 *	2.8	50.9
0.1	-	-42.2	0.3	0.5	0.3
			-----	-----	-----
33.5	32.9	0.4	1.0	12.3 *	300.4
3.8	3.6	-0.5	0.3	3.9	33.3
29.7	29.3	0.5	1.3	8.4 *	267.1
			-----	-----	-----
17.6	17.3	0.2	0.2 *	1.5	157.8
3.6	3.2	-9.0	2.9	1.5	29.5
0.6	0.6	13.2	0.6 *	0.2	5.7
0.2	0.1	59.4	1.0	0.5 *	0.7
(0.1)	(0.1)	-85.6	0.4	3.3	(1.1)
			-----	-----	-----
21.9	21.1	-1.8	3.5	6.0	192.6
			-----	-----	-----
7.8	8.2	6.9	4.8	2.4 *	74.5
0.9	1.0	-2.8	0.3	2.8 *	8.5
0.5	2.4	+100.0+	18.2 *	0.2 *	22.3
-	0.3	-	2.6 *	0.2 *	2.6
-	4.9	-	44.4 *	4.7 *	44.4
			-----	-----	-----
1.4	8.6	+100.0+	64.9 *	7.9 *	77.8
			-----	-----	-----
6.4	(0.4)	-100.0+	60.1 *	10.3 *	(3.3)
			-----	-----	-----
2.5	(0.3)	-100.0+	24.9	8.0	(2.7)
			-----	-----	-----
3.9	(0.1)	-100.0+	\$35.2 *	\$2.3 *	(\$0.6)
=====	=====		=====	=====	=====

-----YEAR-TO-DATE-----

1989	Budget	1988	% Over Prior Year	% 1989	% 1988
UNIT VOLUME (in millions)	1,563.5	22.4 *	8.4 *	-0.5	
	=====	=====	=====		
OPERATING REVENUES	1,851.5	2.7	134.2	7.8	100.0 100.0
Variable Cost of Sales	1,142.2	13.9 *	92.9 *	8.9	61.7 61.1
Shipping Expense	102.3	4.0	2.8 *	2.8	5.5 5.8
Lifo Adjustment	(1.7)	3.1	3.4	-100.0+	(0.1) 0.1
	-----	-----	-----		-----
MARGINAL CONTRIBUTION	608.7	4.1 *	41.9	7.4	32.9 33.0
Fixed Manufacturing Costs	64.1	8.2	0.5 *	0.8	3.5 3.7
AVAILABLE PROFIT	544.6	4.1	41.4	8.2	29.4 29.3
	-----	-----	-----		-----
Marketing	319.3	1.8 *	10.0 *	3.2	17.2 18.0
General and Administrative	57.5	4.7	6.5	-10.2	3.1 3.7
Research and Development	11.6	0.2	1.6 *	16.4	0.6 0.6
Currency Trans. and Hedging Cost, Net	0.5	0.2 *	2.1	81.0	- 0.1
Other (Income) Deductions, Net	(2.4)	7.3	0.5	-34.1	- -
	-----	-----	-----		-----
TOTAL EXPENSE	386.5	10.2	2.5 *	0.6	20.9 22.4
	-----	-----	-----		-----
INCOME FROM OPERATIONS BEFORE INTEREST, GOODWILL AND ASSESSMENTS	158.1	14.3	38.9	32.6	8.5 6.9
Interest Expense/(Income), Net	18.5	7.1 *	0.5 *	3.1	0.9 1.0
Amortization of Goodwill	44.6	0.4 *	36.5 *	+100.0+	2.4 0.5
Corporate Assessments, General and Administrative	5.2	0.4 *	5.2 *	-	0.3 -
Corporate Assessments, Interest	90.7	12.4 *	90.7 *	-	4.9 -
	-----	-----	-----		-----
	159.0	20.3 *	132.9 *	+100.0+	8.5 1.5
	-----	-----	-----		-----
EARNINGS BEFORE INCOME TAXES	(0.9)	6.0 *	94.0 *	-100.0+	- 5.4
Provision for Income Taxes	(0.7)	4.2	37.4	-100.0+	- 2.1
	-----	-----	-----		-----
NET EARNINGS	(\$0.2)	\$1.8 *	\$56.6 *	-100.0+	- 3.3
	=====	=====	=====		=====

*****FEBRUARY*****

FAVORABLE / UNFAVORABLE(*)
VARIATION VERSUS

KRAFT, INC.

*****YEAR-TO-DATE*****

FAVORABLE / UNFAVORABLE(*)
VARIATION VERSUS

1988		BUDGET		1989
%	UNITS	%	UNITS	
6.2	4.5	1.4	1.1	77.9
-26.7	40.0 *	-11.3	14.0 *	109.6
9.4	3.1	6.0	2.0	35.6
-3.9	2.8 *	10.0	6.4	70.1
2.7	6.0	-3.5	8.5 *	232.1
-0.1	0.2 *	-6.0	8.3 *	129.8
-3.7	4.7 *	-6.3	8.3 *	122.9
-95.2	18.6 *	19.6	0.1	1.0
-6.3	52.7 *	-3.6	29.5 *	779.0

SUMMARY OF UNIT VOLUME
(MILLIONS OF WTD UNITS)

BUDGET		1988		1989
UNITS	%	UNITS	%	
11.5	7.3	10.5	6.6	169.9
11.1 *	-4.5	38.9 *	-14.1	237.3
1.9	3.1	5.9	10.3	63.1
0.1	0.1	0.4 *	-0.3	129.5
13.7 *	-2.9	25.2	5.9	451.8
7.5 *	-2.8	12.1	4.9	257.3
3.8 *	-1.5	1.3	0.5	252.9
0.2	12.8	24.1 *	-93.4	1.7
22.4 *	-1.4	8.4 *	-0.5	1,563.5

SUMMARY OF OPERATING REVENUES

%	\$	%	\$	1989
10.2	\$15.7	-1.1	\$1.8 *	\$169.2
-12.1	17.0 *	-9.7	13.3 *	123.6
17.4	8.7	5.5	3.1	58.5
-1.8	1.2 *	7.2	4.4	65.3
4.4	9.0	-2.8	6.1 *	216.1
5.0	2.6	-14.1	9.1 *	55.3
5.5	11.5	-2.7	6.1 *	220.9
-66.6	9.6 *	27.4	1.0	4.8
2.2	\$19.7	-3.0	\$27.9 *	\$913.7

(MILLIONS OF DOLLARS)

1989		1989		
\$370.7	REFRIGERATED	\$22.0	6.3	\$41.3
264.0	GROCERY	10.1 *	-3.7	9.0
106.1	FROZEN FOODS	3.1	3.1	18.6
120.1	DAIRY	1.5 *	-1.3	0.9
424.3	FOODSERVICE	5.8 *	-1.4	32.7
111.4	FOOD INGREDIENTS	14.4 *	-11.5	12.0
445.4	INTERNATIONAL	6.9	1.6	37.4
9.5	OTHER	2.5	36.0	17.7 *
\$1,851.5	TOTAL	\$2.7	0.1	\$134.2

SUMMARY OF INCOME FROM OPERATIONS

%	\$	%	\$	1989
13.6	\$2.3	-23.0	\$5.8 *	\$19.5
-44.1	12.4 *	-23.5	4.8 *	15.7
43.7	1.7	14.5	0.7	5.5
7.9	0.2	44.8	0.9	3.0
25.3	1.0	7.3	0.3	5.0
-6.3	0.2 *	-25.3	0.8 *	2.5
37.0	7.0	5.8	1.4	25.4
69.0	2.4 *	+100.0+	3.1	5.9
19.9	1.8	31.0	3.3	(7.3)
59.4	1.0	-100.0+	0.7 *	(0.7)
6.9	\$4.8	-3.1	\$2.4 *	\$74.5

(MILLIONS OF DOLLARS)

1989		1989		
\$50.2	REFRIGERATED	\$0.1 *	-0.2	\$12.7
38.8	GROCERY	2.8 *	-6.7	6.0 *
9.6	FROZEN FOODS	1.3	15.6	4.5
0.8	DAIRY	1.0 *	-55.9	0.9
7.6	FOODSERVICE	0.4	5.8	1.4
6.4	FOOD INGREDIENTS	0.4	7.9	1.9
48.4	INTERNATIONAL	3.7	8.3	13.7
10.5	OTHER	5.4	+100.0+	4.9
(13.7)	UNALLOCATED CORPORATE	7.5	35.3	2.8
(0.5)	FOREIGN EXCHANGE GAIN (LOSS)	0.5 *	-100.0+	2.1
\$158.1	TOTAL	\$14.3	10.1	\$38.9

KRAFT, INC.

SECTOR STRUCTURE AND KEY ELEMENTS

REFRIGERATED PRODUCTS GROUP	CHEESE	Kraft Singles (process slices), Velveeta Loaf, Velveeta Shreds, 100% Naturals (shreds, chunks, slices), Light Naturals, Cracker Barrel, Casino, Philadelphia Brand Cream Cheese (soft, whipped, light), Kraft Grated Parmesan, Cheez Whiz, Handi-snacks, Economy Line
	CHILLED FOODS	Chillery line of product, DiGiorno pasta and sauces
GROCERY PRODUCTS GROUP	DRY GROCERY	Miracle Whip (regular and light), Kraft Real Mayonnaise (regular and light), Kraft Macaroni and Cheese (wheels, music mac, spirals), Kraft Pourable Salad Dressings, Seven Seas salad dressings, Kraft barbecue sauce (regular, Thick N' Spicy, Bull's Eye), Applause, Kraft Marshmallows
	MARGARINE	Parkay, Chiffon, Touch of Butter
DAIRY GROUP	FROZEN	Ice Cream (Breyer's, Breyer's Light, Sealtest, Frusen Gladje), Ice Milk (Light n' Lively)
	CULTURED	Yogurt (Light n' Lively, Breyer's), cottage cheese (Breakstone's, Light n' Lively), sour cream (Breakstone's, Breakstone's Light Choice)
FROZEN FOODS GROUP	LENDERS	Lender's Bagels, Lender's Big 'N Crusty bagels
	TOMBSTONE	Tombstone Regular, Double Top and Microwave Pizza lines
	ALL AMERICAN GOURMET CO.	Budget Gourmet brand entrees, dinners and side dishes
FOODSERVICE	METRO REGIONS	"Supermarket" supplier of all foodservice needs of customer; also supply equipment such as dishware. Not all Kraft-manufactured foods
	KEY ACCOUNTS	Sales to large/sophisticated restaurant chains; focus on Kraft-manufactured products (cheese, portion control, etc.)
	DELI-BAKERY	Sales to supermarkets of cheeses, ready-to-eat meals (i.e., pre-cooked pasta, pizza), bagels, portion control condiments
FOOD INGREDIENTS	OIL PRODUCTS	Edible oils (Mrs. Tucker's vegetable oil, etc.), shortenings (Richtex, etc.), creamers (Richtex, etc.)
	SPECIALTY INGREDIENTS	Cheese powders and seasonings, natural cheese, grated cheese, cream cheese, marbits and confections

KRAFT INTERNATIONAL

KRAFT CANADA

Process slices, Cheese Whiz, Philadelphia Cream Cheese, Kraft cheddar, specialty domestic, Miracle Whip, Pourable dressings, confections, peanut butter, Macaroni & Cheese, Margarine, Foodservice division

KRAFT EUROPE

- KRAFT BELGIUM

Process cheese, natural cheese, mayonnaise, dinners, Foodservice division

- KRAFT GERMANY

Process slices, Philadelphia Cream Cheese, cottage cheese, natural cheese, mayonnaise, Miracle Whip, dinners, ketchup, Foodservice division

- KRAFT IRELAND

Philadelphia Cream Cheese, margarine, cooking fats & oils, Foodservice division

- KRAFT ITALY

Process slices, Philadelphia Cream Cheese, mayonnaise, cottage cheese, natural cheese, margarine, Foodservice division

- KRAFT INVERNIZZI

Fresh natural cheese products (Crescenza, Mozzarella, Gorgonzola), process cheese, sausages, bulk cheese

- OSELLA*

Fresh cheese

- KRAFT DENMARK

Pourable dressings, Foodservice division

- KRAFT U.K.

Dairylea (cheese product), process slices, Philadelphia Cream Cheese, Faggots (frozen food), sausage rolls (frozen food), Golden Churn (margarine), Vitalite (margarine), Foodservice division

- SOULIE*

Natural cheese

- KRAFT SPAIN

Process cheese slices, Philadelphia Cream Cheese, mayonnaise, Foodservice division

KRAFT ASIA PACIFIC

- KRAFT AUSTRALIA

Process cheese slices, process cheese loaves, Philadelphia Cream Cheese, Cheez Whiz, natural cheese, mayonnaise, pourable dressings, Vegemite (yeast spreads), Foodservice division

- EVEREST*

Frozen foods (ice cream & dairy products)

- PACIFIC EXPORTS

Process cheese slices, cream cheese, Foodservice division

- PHILIPPINES

Cheese in glass, cheese in cartons, sandwich spread

- KOREA*

Cheese products

KRAFT LATIN AMERICA

- MEXICO

Process cheese loaves, mayonnaise, jams, cream cheese, Cheez Whiz, Foodservice division

- VENEZUELA

Mayonnaise, cheese in glass, cream cheese, filled cheese, margarine, Foodservice division

- PANAMA

Mayonnaise, Miracle Whip, loaf cheese

- MID EAST EXPORTS

Canned cheese

- LATIN AMERICA EXPORTS

Canned cheese, cream cheese

* Equity investment/joint venture

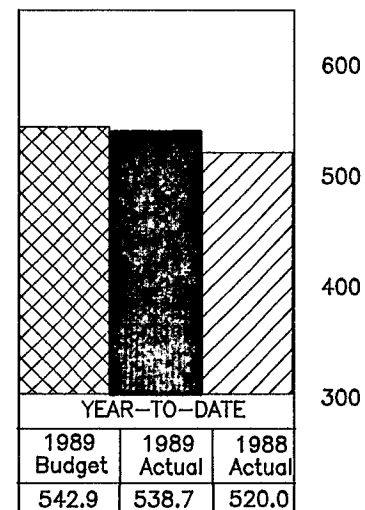
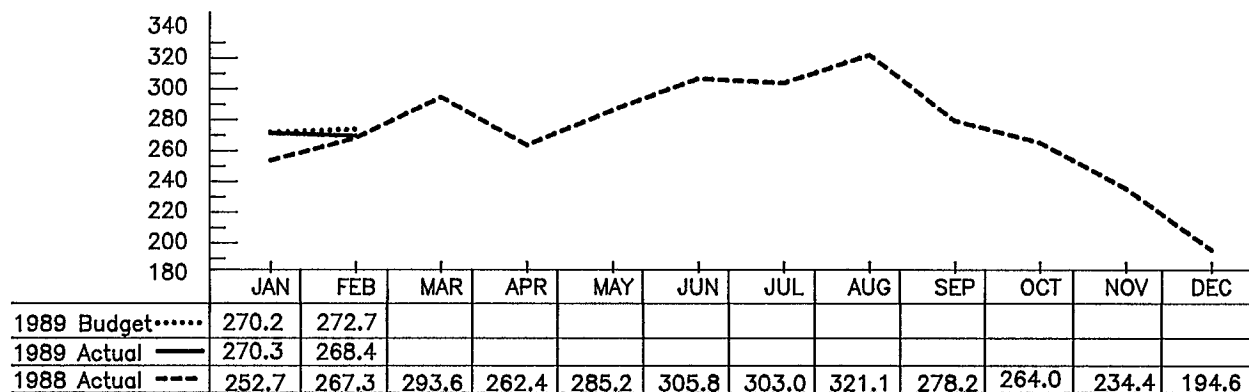
2048049832

**MILLER BREWING
COMPANY**

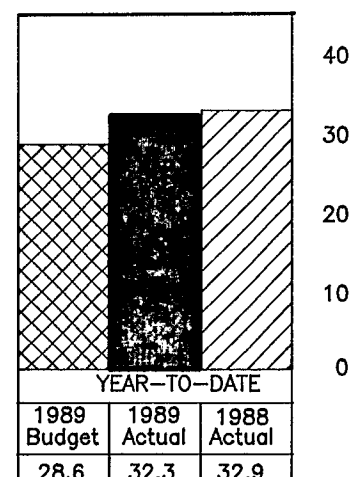
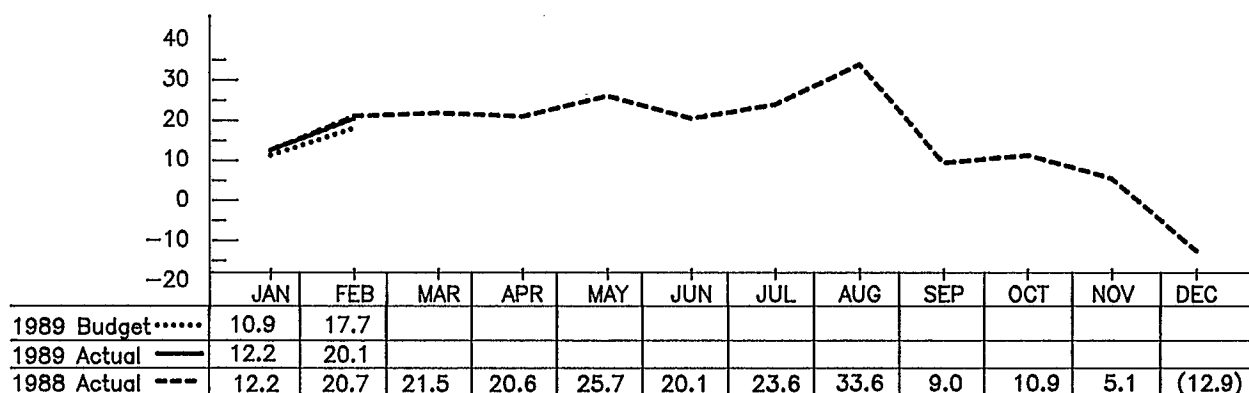
The Miller Brewing Company
OPERATING REVENUES/INCOME FROM OPERATIONS

(in millions of dollars)

OPERATING REVENUES



INCOME FROM OPERATIONS



MILLER BREWING COMPANY

February shipments of 3.3 million barrels were down 25,000 barrels (0.8%) compared to prior year and up 31,000 barrels (0.9%) compared to budget. For the first two months of 1989, shipments of 6.7 million barrels were up 164,000 barrels (2.5%) compared to prior year and up 45,000 barrels (0.7%) compared to budget. Shipments include wine coolers of 8,000 barrels for the month and 14,000 barrels year-to-date.

February operating revenues of \$268.4 million were up \$1.1 million (0.4%) compared to prior year and down \$4.3 million (1.6%) compared to budget.

February income from operations of \$20.1 million was down \$0.6 million (2.9%) compared to prior year due primarily to higher cost of products sold of \$2.0 million and lower volume of \$0.9 million, partially offset by favorable product mix and revenue pricing of \$2.4 million. Compared to budget, income from operations was up \$2.4 million (13.6%) due primarily to favorable material price as a result of lower prices for cans, ends and bottles of \$7.2 million and higher volume of \$1.1 million, partially offset by unfavorable product mix and revenue pricing of \$6.2 million.

Total retail sales for the month were up 1.0% with year-to-date up 3.0% compared to 1988. Beer retail sales for the month and year-to-date increased 1.3% and 3.3%, respectively, compared to prior year. Wine cooler retail sales for the month and year-to-date were 6,000 and 13,000 barrels, respectively.

A new three year labor agreement was ratified with the International Association of Machinists and Aerospace Workers at the Albany Brewery. No work stoppage resulted and all of the Company's bargaining objectives were met.

A new quarterly magazine entitled "Principal" was published and distributed by Miller for the first time. The magazine is designed to communicate directly between Miller and all distributor principals on issues of interest to them.

The Company worked with the Beer Institute and the Bureau of Alcohol, Tobacco and Firearms (BATF) to favorably influence interim regulations governing size and placement of alcohol warning labels. The labels will be required on all alcoholic beverages starting later this year.

Operations and Financial Management worked together to reach a decision involving the re-assignment of sixteen Indiana distributors from the Milwaukee Brewery to the Eden Brewery. The moves are expected to save the Company over \$1 million annually.

Working with an excise tax coalition, Miller was able to help derail the National Governors' Association budget resolution calling for excise tax increases.

Leonard J. Goldstein

Page I-1

2048049834

	Vs.	1988	Vs.	Budget
Barrel Vol.	Down	1%	Up	1%
Op. Revenues	Up	-	Down	2%
Avail. Profit	Down	1%	Up	3%
Income from Oper.	Down	3%	Up	14%
Pre-Tax	Down	3%	Up	19%
Net Earnings	Down	3%	Up	20%

Miller Brewing Company
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

	Vs. Budget		Vs. 1988	
Barrel Vol.	Up	1%	Up	3%
Op. Revenues	Down	1%	Up	4%
Avail. Profit	Up	3%	Up	2%
Income from Oper.	Up	13%	Down	2%
Pre-Tax	Up	19%	Down	2%
Net Earnings	Up	19%	Down	1%

FEBRUARY					
Variance Fav./Unfav. (*)					
% 1988	% 1989	% Over Prior Year	1988	Budget	1989
		-0.7	22 *	27	3,294
		-27.3	3 *	4	8
		-0.8	25 *	31	3,302
99.9	99.9	0.4	\$1.2	\$4.4 *	\$268.1
0.1	0.1	-25.0	0.1 *	0.1	0.3
100.0	100.0	0.4	1.1	4.3 *	268.4
44.2	44.5	1.2	1.4 *	6.4	119.5
11.1	11.0	-0.3	0.1	0.4 *	29.6
0.1	-	-100.0+	0.4	-	(0.1)
44.6	44.5	0.2	0.2	1.7	119.4
15.6	15.8	1.7	0.7 *	0.9	42.5
29.0	28.7	-0.6	0.5 *	2.6	76.9
17.6	17.7	0.8	0.4 *	-	47.6
3.3	3.1	-4.6	0.4	0.3 *	8.3
0.3	0.4	12.5	0.1 *	0.1	0.9
-	-	-	-	-	-
21.2	21.2	0.2	0.1 *	0.2 *	56.8
7.8	7.5	-2.9	0.6 *	2.4	20.1
0.6	0.3	-43.8	0.7	0.1	0.9
-	-	-	-	-	-
0.3	0.2	-14.3	0.1	0.1	0.6
-	0.3	+100.0	0.7 *	0.3	0.7
0.9	0.8	-4.3	0.1	0.5	2.2
6.9	6.7	-2.7	0.5 *	2.9	17.9
2.7	2.6	-2.8	0.2	1.1 *	7.0
4.2	4.1	-2.7	\$0.3 *	\$1.8	\$10.9

Variance		
	1988	Budget
Volume	\$2.0 *	\$2.6
Price/Mix	3.1	6.9 *
Total	\$1.1	\$4.3 *

Beer Volume (000 Omitted)
Wine Coolers (000 Omitted)

SALES IN BARRELS (000 Omitted)

Net Sales

Royalty Income

TOTAL OPERATING REVENUES

Variable Cost of Sales

Federal Excise Taxes

Lifo Adjustment

MARGINAL CONTRIBUTION

Fixed Manufacturing Expense

AVAILABLE PROFIT

Marketing

General and Administrative

Research and Development

Other Deductions (Income), Net

TOTAL EXPENSE

INCOME FROM OPERATIONS BEFORE INTEREST,
GOODWILL AND ASSESSMENTS

Interest Expense/(Income), Net

Amortization of Goodwill

Corporate Assessment,

General and Administrative

Corporate Assessment, Interest

EARNINGS BEFORE INCOME TAXES

Provision for Income Taxes

NET EARNINGS

YEAR-TO-DATE					
Variance Fav./Unfav. (*)					
1989	Budget	1988	% Over Prior Year	1989	% 1988
6,703	44	173	2.6		
14	1	9 *	-39.1		
6,717	45	164	2.5		
\$538.3	\$4.2 *	\$18.8	3.6	99.9	99.9
0.4	-	0.1 *	-20.0	0.1	0.1
538.7	4.2 *	18.7	3.6	100.0	100.0
247.0	7.2	12.3 *	5.2	45.9	45.1
60.1	0.5 *	1.5 *	2.6	11.1	11.3
(0.2)	-	0.7	-100.0+	-	0.1
231.8	2.5	5.6	2.5	43.0	43.5
85.5	1.9	2.2 *	2.6	15.8	16.0
146.3	4.4	3.4	2.4	27.2	27.5
94.8	0.1	2.7 *	2.9	17.6	17.7
17.3	1.0 *	0.2 *	1.2	3.2	3.4
1.8	0.2	0.2 *	12.5	0.4	0.3
0.1	-	0.9 *	-100.0+	-	(0.2)
114.0	0.7 *	4.0 *	3.6	21.2	21.2
32.3	3.7	0.6 *	-1.8	6.0	6.3
2.0	0.1	1.2	-37.5	0.4	-
-	-	0.1	-100.0	-	0.6
1.3	0.1	-	-	0.2	0.3
1.5	0.4	1.3 *	+100.0+	0.3	-
4.8	0.6	-	-	0.9	0.9
27.5	4.3	0.6 *	-2.1	5.1	5.4
10.7	1.6 *	0.4	-3.6	2.0	2.1
\$16.8	\$2.7	\$0.2 *	-1.2	3.1	3.3

Variance		
	Budget	1988
Volume	\$3.7	\$12.7
Price/Mix	7.9 *	6.0
Total	\$4.2 *	\$18.7

COMPARATIVE STATEMENT OF OPERATIONS - MILLER

Page I-2

2048049835

Miller Brewing Company
BARREL SHIPMENTS AND RETAIL SALES
 (Barrels in 000's)

----- FEBRUARY -----				----- YEAR-TO-DATE -----				
% Change Vs. 1988 (1)	Variance Fav./Unfav.(*)		1989	SHIPMENTS	1989	Variance Fav./Unfav.(*)		% Change Vs. 1988 (1)
	1988	Budget				Budget	1988	
-11.9	81 *	13 *	601	Miller High Life	1,284	6 *	116 *	-8.3
+13.6	35	27	292	Miller Genuine Draft	610	18	125	+25.8
-4.9	46 *	14	893	Sub-total	1,894	12	9	+0.5
-0.7	11 *	22 *	1,597	Miller Lite	3,151	32 *	21 *	-0.7
-37.1	33 *	5 *	56	Lowenbrau	104	5 *	52 *	-33.3
+7.4	42	32	609	Milwaukee's Best	1,296	61	193	+17.5
-15.0	16 *	-	91	Meister Brau	170	-	32 *	-15.8
+100.0	26	5	32	Magnum	60	5	48	+100.0
+100.0	16	3	16	All Others	28	3	28	+100.0
-0.7	22 *	27	3,294	Total Beer	6,703	44	173	+2.6
-27.3	3 *	4	8	Total Wine Coolers	14	1	9 *	-39.1
-0.8	25 *	31	3,302	Total Beer and Wine	6,717	45	164	+2.5
	====	====	=====		=====	====	=====	
				<u>RETAIL SALES</u>				
-11.9	94 *	19 *	491	Miller High Life	971	20 *	111 *	-10.3
+27.5	43	17 *	244	Miller Genuine Draft	494	16 *	123	+33.2
-1.8	51 *	36 *	735	Sub-total	1,465	36 *	12	+0.8
-2.0	86 *	35 *	1,206	Miller Lite	2,526	35 *	4	+0.2
-31.9	26 *	5 *	48	Lowenbrau	94	5 *	32 *	-25.4
+14.9	43	16 *	500	Milwaukee's Best	1,016	15 *	146	+16.8
-7.8	10 *	4 *	72	Meister Brau	144	5 *	30 *	-17.2
+100.0	20	1	26	Magnum	53	-	43	+100.0
+100.0	14	2	14	All Others	25	-	25	+100.0
+1.3	96 *	93 *	2,601	Total Beer	5,323	96 *	168	+3.3
-51.5	7 *	1 *	6	Total Wine Coolers	13	-	13 *	-50.0
+1.0	103 *	94 *	2,607	Total Beer and Wine	5,336	96 *	155	+3.0
	====	====	=====		=====	====	=====	

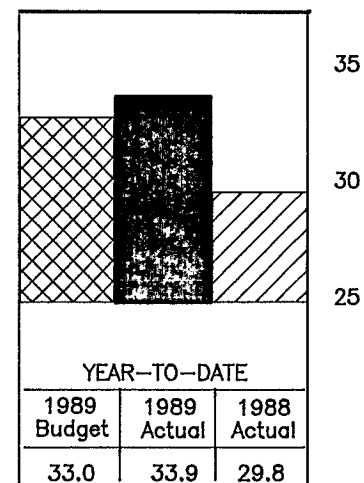
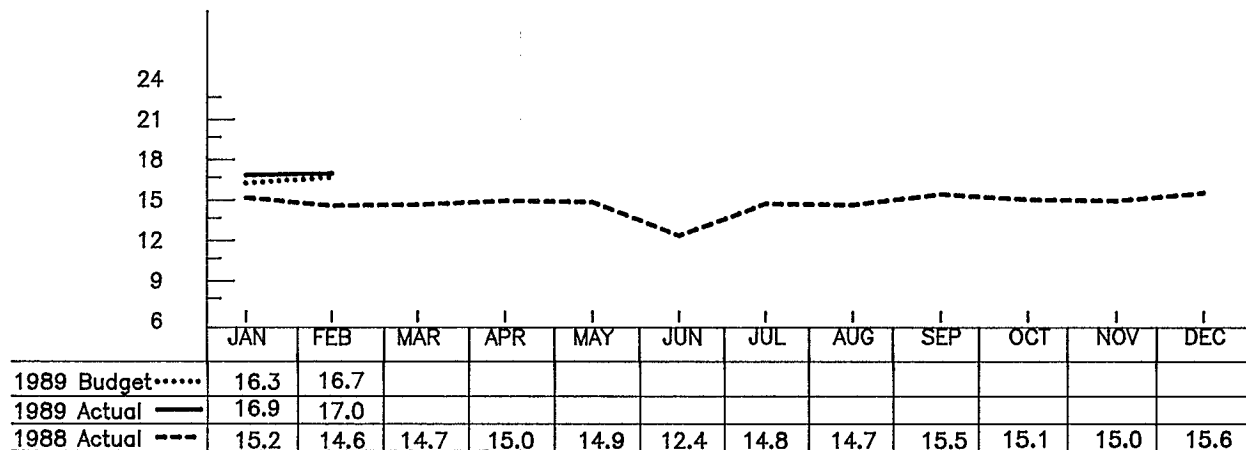
NOTE: (1) Percentage changes for RETAIL SALES are adjusted for working days in order to equalize year-to-date calendar differences.

2048049837

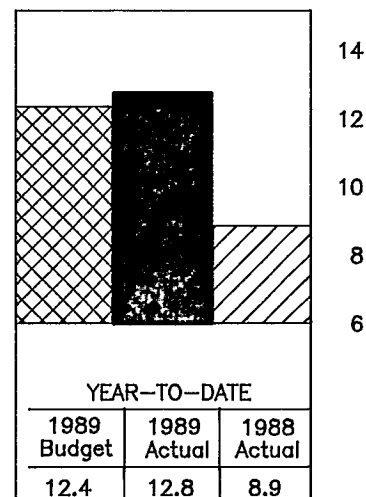
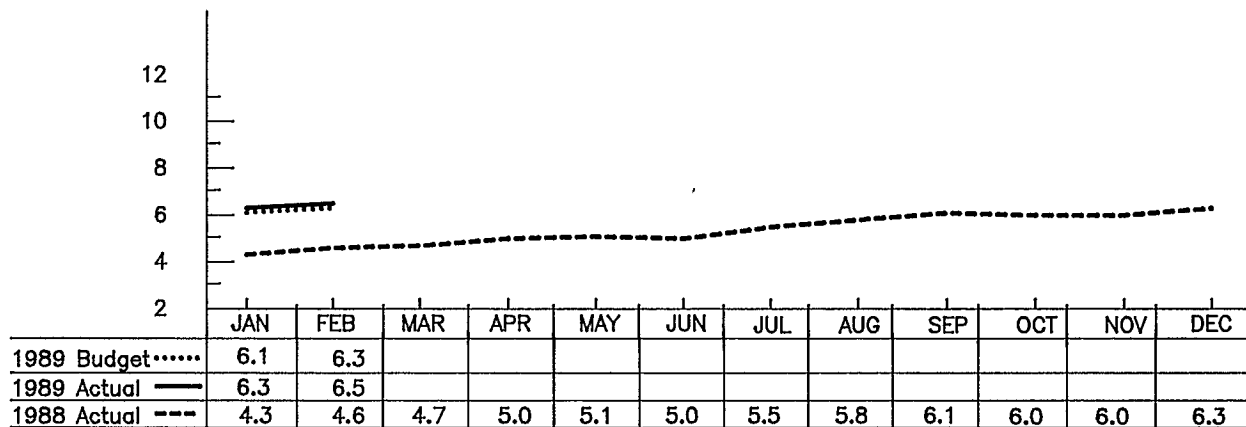
**P.M. CREDIT
CORPORATION**

Philip Morris Credit Corporation
REVENUES/NET EARNINGS
(in millions of dollars)

REVENUES



NET EARNINGS



PHILIP MORRIS CREDIT CORPORATION

In February 1989, PMCC recorded revenues of \$17.0 million, earnings before income taxes of \$7.5 million and net earnings of \$6.5 million. Year-to-date, the Credit Corporation's revenues, earnings before income taxes and net earnings totalled \$33.9 million, \$15.1 million, and \$12.8 million, respectively. The Credit Corporation's interest coverage ratio was 2.77 for the twelve months ending February 1989, exceeding the 1.25 ratio specified under PMCC's Support Agreements.

An analysis of PMCC's and Mission Viejo Realty Group Inc.'s (MVRG) net income contribution is summarized below:

<u>Month</u>				<u>Year-To-Date</u>		
<u>Variance</u>	<u>Fav./Unfav. (*)</u>			<u>Variance</u>	<u>Fav./Unfav. (*)</u>	
<u>1988</u>	<u>Budget</u>	<u>1989</u>		<u>1989</u>	<u>Budget</u>	<u>1988</u>
\$1.9	\$0.2	\$ 6.5	PMCC Net Earnings	\$12.8	\$0.4	\$3.9
7.1*	1.5	9.7	MVRG Net Earnings	17.0	1.6	2.6*
<u>0.1</u>	<u>-</u>	<u>(0.2)</u>	Consolidating Adjustments	<u>(0.4)</u>	<u>0.1</u>	<u>0.1</u>
<u>\$5.1*</u>	<u>\$1.7</u>	<u>\$16.0</u>	Total Net Earnings	<u>\$29.4</u>	<u>\$2.1</u>	<u>\$1.4</u>

Excluding the results of MVRG, PMCC's net earnings were favorable by \$0.2 million for February and \$0.4 million year-to-date relative to the Original Budget. Net earnings were favorably impacted by revenues earned on the subordinated debt investment in The Kroger Company and lower than budgeted interest expense. These favorable net income variances were partially offset by lower than budgeted preferred stock revenues due primarily to a lower than budgeted balance and higher than budgeted provision for income taxes due primarily to the effect of the rebooking/termination of certain leveraged leases.

In the customer and supplier financing area, PMCC entered into two inventory revolving credit agreements with Eagle River Distributing II, Inc. and Sweetwood Distributing, Inc., both independent distributors of Miller Brewing Company. Also, in the customer financing area, PMCC purchased residential mortgages from MVRG with principal amounts totalling \$3.5 million.

Hans G. Storr

(A)	vs. 1988	vs.	Budget
Fin. Rev. Up	16%	Up	2%
Pre-Tax Up	99%	Up	7%
Net Earn. Up	41%	Up	3%

PHILIP MORRIS CREDIT CORPORATION
COMPARATIVE STATEMENT OF OPERATIONS
(in millions of dollars)

(A)	vs. Budget	vs. 1988
Fin. Rev. Up	3%	Up 14%
Pre-Tax Up	11%	Up 100+%
Net Earn. Up	3%	Up 43%

-----FEBRUARY-----

Variance Fav./Unfav. (*)		
1988	Budget	1989
\$2.6	\$0.3	\$15.9
<u>0.2*</u>	<u>-</u>	<u>1.1</u>
<u>2.4</u>	<u>0.3</u>	<u>17.0</u>
1.7	0.3	7.7
0.1*	-	0.5
0.1*	-	0.3
-	-	0.1
-	0.1*	0.1
<u>0.2*</u>	<u>-</u>	<u>0.8</u>
<u>1.3</u>	<u>0.2</u>	<u>9.5</u>
3.7	0.5	7.5
<u>1.8*</u>	<u>0.3*</u>	<u>1.0</u>
1.9	0.2	6.5
7.1*	1.5	9.7
<u>0.1</u>	<u>-</u>	<u>(0.2)</u>
<u>7.0*</u>	<u>1.5</u>	<u>9.5</u>
<u>\$5.1*</u>	<u>\$1.7</u>	<u>\$16.0</u>

REVENUES:

Financing revenues	
Amortization of investment tax credits	
Total revenues	

EXPENSES:

Interest expense	
General and administrative expenses	
Corporate assessment	
Servicing expense	
Depreciation expense	
Provision for losses	
Total expenses	

INCOME BEFORE INCOME TAXES

PROVISION FOR INCOME TAXES

PMCC NET EARNINGS EXCLUDING MVRG

MVRG NET EARNINGS AND ADJUSTMENTS:

MVRG Net Earnings	
Consolidating Adjustments	
Total MVRG Net Earnings and Adj.	

NET EARNINGS

INTEREST COVERAGE RATIO

-----YEAR-TO-DATE-----

Variance Fav./Unfav. (*)		
1989	Budget	1988
\$31.7	\$0.9	\$4.5
<u>2.2</u>	<u>-</u>	<u>0.4*</u>
<u>33.9</u>	<u>0.9</u>	<u>4.1</u>
15.5	0.6	4.6
0.9	0.1	0.1*
0.6	-	0.2*
0.2	-	-
0.1	0.1*	-
<u>1.5</u>	<u>-</u>	<u>0.3*</u>
<u>18.8</u>	<u>0.6</u>	<u>4.0</u>
15.1	1.5	8.1
<u>2.3</u>	<u>1.1</u>	<u>4.2*</u>
12.8	0.4	3.9
17.0	1.6	2.6*
<u>(0.4)</u>	<u>0.1</u>	<u>0.1</u>
<u>16.6</u>	<u>1.7</u>	<u>2.5*</u>
<u>\$29.4</u>	<u>\$2.1</u>	<u>\$1.4</u>
<u>2.77</u>		

(A) These percentages are applicable to PMCC's operating results and exclude the impact of MVRG.

2048049840

PHILIP MORRIS CREDIT CORPORATION
REVENUES - DETAIL
(in millions of dollars)

<u>-----FEBRUARY-----</u>			<u>-----YEAR-TO-DATE-----</u>			
<u>Variance Fav./Unfav. (*)</u>			<u>Variance Fav./Unfav. (*)</u>			
<u>1988</u>	<u>Budget</u>	<u>1989</u>	<u>1989</u>	<u>Budget</u>	<u>1988</u>	
<u>Third Party Business Related To Operating Companies</u>						
\$0.2*	\$ -	\$ 2.6	- Mission Viejo mortgage notes	\$ 5.4	\$0.1	\$0.1*
0.2	-	0.3	- Miller distributor loans	0.6	-	0.4
0.1	-	0.1	- Seven-Up bottler loans and leases	0.1	-	0.1
-	-	0.1	- Mission Viejo customer loans	0.1	-	0.2*
-	-	0.1	- Philip Morris USA supplier loans & leases	0.3	0.1	0.1
<u>0.2</u>	<u>-</u>	<u>0.2</u>	- General Foods sup./dist. loans & leases	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>
<u>0.3</u>	<u>-</u>	<u>3.4</u>	Total	<u>6.8</u>	<u>0.3</u>	<u>0.5</u>
<u>Business Independent Of Operating Companies</u>						
0.1*	0.1	6.4	- Leasing investments	12.8	0.1	0.5*
1.3	0.1*	3.8	- Preferred stock	7.9	0.1	2.5
0.1	-	0.4	- Tax-exempt bonds	0.9	0.1	0.3
0.6	0.1	1.1	- Sub. debt and equity investments	2.1	0.1	1.1
<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	- Miscellaneous	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
<u>2.0</u>	<u>0.2</u>	<u>11.8</u>	Total	<u>23.8</u>	<u>0.5</u>	<u>3.5</u>
<u>Business With Operating Companies</u>						
0.2	0.1	1.4	- Mission Viejo intercompany loans	2.5	0.1	0.1
-	-	0.2	- Miller note	0.4	-	-
0.1	-	0.1	- Miller/Fairtron	0.1	-	0.1
<u>0.2*</u>	<u>-</u>	<u>0.1</u>	- Philip Morris International	<u>0.3</u>	<u>-</u>	<u>0.1*</u>
<u>0.1</u>	<u>0.1</u>	<u>1.8</u>	Total	<u>3.3</u>	<u>0.1</u>	<u>0.1</u>
<u>\$2.4</u>	<u>\$0.3</u>	<u>\$17.0</u>	Total revenues	<u>\$33.9</u>	<u>\$0.9</u>	<u>\$4.1</u>

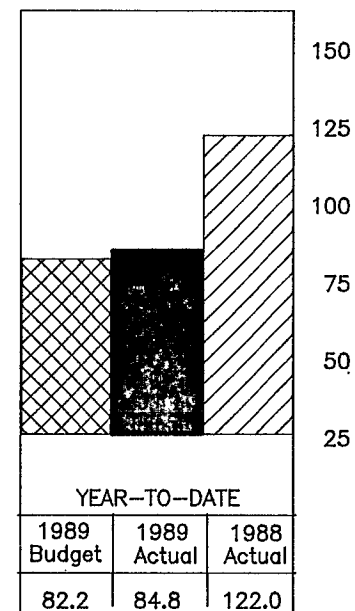
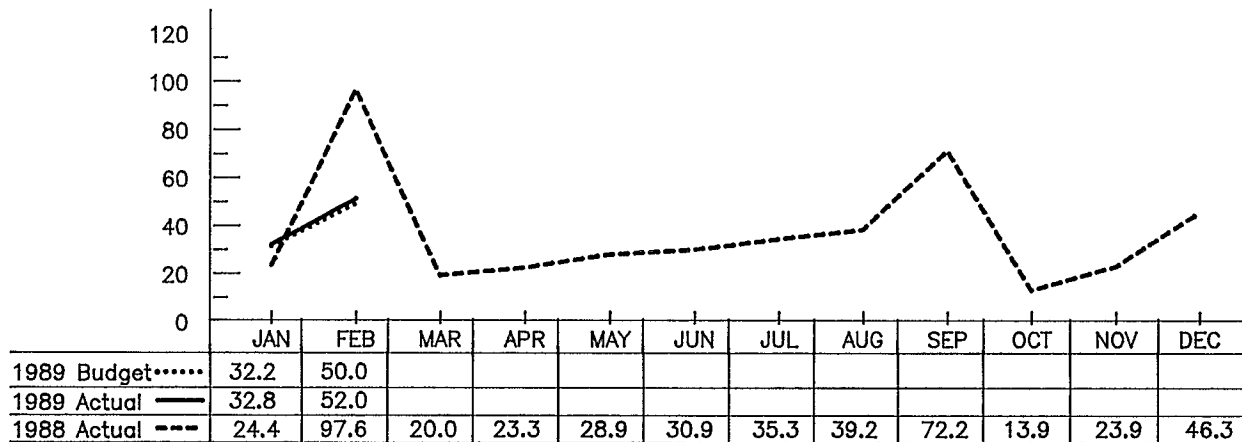
REVENUES - DETAIL

PAGE J-3

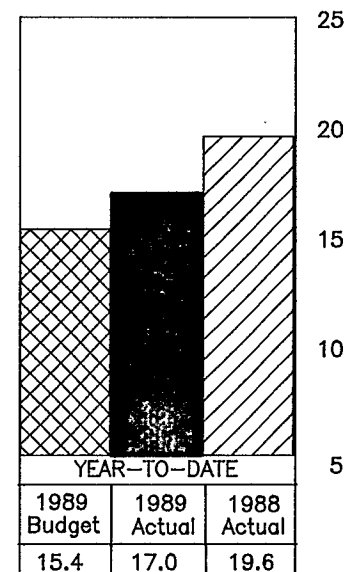
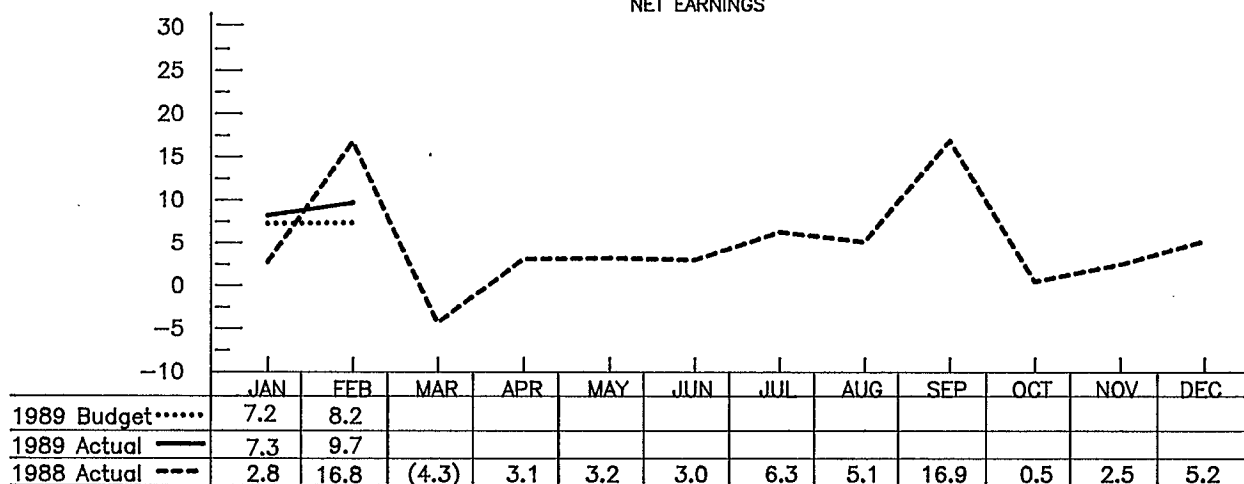
2048049841

Mission Viejo Realty Group Inc.
OPERATING REVENUES/NET EARNINGS
(in millions of dollars)

OPERATING REVENUES



NET EARNINGS



MISSION VIEJO REALTY GROUP INC.

FINANCIAL SUMMARY

February operations produced earnings before taxes of \$16.2 million and net earnings of \$9.7 million, which were \$2.6 million and \$1.5 million higher than the Budget, respectively. The favorable variance from the Budget was due to increased gross profit on a California Residential land sale, income recognition on various Colorado Residential land sales forecasted for later in the year and increased house closings. Year-to-date net earnings are \$17 million.

COMMUNITY AND RESIDENTIAL OPERATIONS

In California, the settlement agreement regarding the lawsuits against the Aliso Viejo Development Agreement and Vesting Tentative Maps has been signed by the cities of Irvine and Laguna Beach, and approved by the Orange County Board of Supervisors. Laguna Greenbelt Inc. is expected to sign a similar settlement agreement later this month.

Residential land sales closed in February totaling 26 acres and \$5 million in deferred profit. During February \$16.4 million of gross profit was recognized on 175 acres of Residential land sales, previously deferred.

For the month of February, the Colorado Division had 43 net housing sales agreements, compared with a forecast of 49. The backlog as of the end of February was 238. In California, only 114 houses remain to be sold.

BUSINESS PROPERTIES OPERATIONS

In California three lots closed, one each in Mission Viejo Business Center, Pacific Park and Laguna Hills Professional Center. The \$1.6 million of profit generated from the sales was deferred.

In Highlands Ranch, an additional 3,800 square feet of space was leased to LaBac Systems in the 8955 South Ridgeline building, bringing this facility to 71% leased.

FINANCING

At the end of February the national average home mortgage interest rate was 10.8 percent and the average starting interest rate on adjustable mortgages was 8.7 percent. The FHA/VA interest rate is currently at 10.5 percent.

The interest rate on our debt to Philip Morris Credit Corporation was 12.3 percent for February, 1989.

JAMES G. GILLERAN

Page K-1

2048049844

Mission Viejo Realty Group Inc.
COMPARATIVE STATEMENT OF OPERATIONS

(in millions of dollars)

	vs.	1988	vs.	Budget
Acres Recog.	Down	62 %	Up	9 %
Houses Sold	Down	56 %	Up	12 %
Op. Revenue	Down	47 %	Up	4 %
Avail. Income	Down	53 %	Up	17 %
Op. Income	Down	42 %	Up	19 %
Pre-Tax	Down	43 %	Up	19 %
Net Earnings	Down	42 %	Up	18 %

	vs.	Budget	vs.	1988
Acres Recog.	Up	4 %	Down	27 %
Houses Sold	Up	2 %	Down	52 %
Op. Revenue	Up	3 %	Down	31 %
Avail. Income	Up	7 %	Down	30 %
Op. Income	Up	10 %	Down	14 %
Pre-Tax	Up	10 %	Down	14 %
Net Earnings	Up	10 %	Down	13 %

-----FEBRUARY-----

% 1988	% 1989	% Over Prior Year	Variance Fav./Unfav. (*)		
			1988	Budget	1989
		- 92.8	439 *	N/A	34
		- 61.6	281 *	14	175
			=====	=====	=====
		- 50.0	58 *	8 *	58
		- 56.3	72 *	6	56
			=====	=====	=====
71.6	84.2	- 37.3	\$ 26.1 *	\$ 0.9	\$ 43.8
19.0	15.2	- 57.3	10.6 *	1.3	7.9
9.2	-	-100.0	9.0 *	-	-
0.2	0.6	+ 50.0	0.1	0.2 *	0.3
100.0	100.0	- 46.7	45.6 *	2.0	52.0
61.9	66.3	- 42.9	25.9	0.5	34.5
40.3	37.4	- 41.8	11.8 *	1.3	16.4
22.7	24.1	- 54.8	2.3 *	1.3	1.9
62.2	-	-100.0	5.6 *	-	-
-	(33.3)		0.1 *	0.2 *	(0.1)
(0.8)	(1.3)	+ 12.5	0.1	0.1	(0.7)
38.1	33.7	- 53.0	19.7 *	2.5	17.5
0.9	1.0	- 44.4	0.4	0.2	0.5
0.4	0.7	-	-	-	0.4
7.8	0.6	- 96.1	7.3	0.1 *	0.3
9.1	2.3	- 86.5	7.7	0.1	1.2
29.0	31.4	- 42.4	12.0 *	2.6	16.3
0.1	0.2	-	-	-	0.1
28.9	31.2	- 42.6	12.0 *	2.6	16.2
11.7	12.5	- 43.0	4.9	1.1 *	6.5
17.2	18.7	- 42.3	\$ 7.1 *	\$ 1.5	\$ 9.7
			=====	=====	=====
			\$ 0.3 *	\$ 0.3 *	\$ 1.5
			\$ 3.3	\$ 1.5 *	\$ 3.5

-----YEAR-TO-DATE-----

	Variance Fav./Unfav. (*)			% Over Prior Year	% 1989	% 1988
	1989	Budget	1988			
LAND SALES						
Acres Closed	210	N/A	317 *	- 60.2		
Acres Recognized	343	12	126 *	- 26.9		
HOUSES						
Number of Sales Transactions	104	10 *	181 *	- 63.5		
Number of Units Closed	122	2	132 *	- 52.0		
OPERATING REVENUES						
Residential Land Sales	\$ 67.7	\$ 2.0	\$ 8.0 *	- 10.6	79.8	62.1
Residential Housing	16.5	0.9	19.0 *	- 53.5	19.5	29.1
Business Properties Sales	-	-	10.4 *	-100.0	-	8.5
Business Properties Operations	0.6	0.3 *	0.2	+ 50.0	0.7	0.3
TOTAL OPERATING REVENUES	84.8	2.6	37.2 *	- 30.5	100.0	100.0
TOTAL DIRECT AND INDIRECT COST OF SALES	54.1	0.5 *	24.2	- 30.9	63.8	64.2
AVAILABLE INCOME						
Residential Land Sales	28.9	1.0	2.1 *	- 6.8	42.7	41.0
Residential Housing	3.5	1.4	4.4 *	- 55.7	21.2	22.3
Business Properties Sales	-	-	6.6 *	-100.0	-	63.5
Business Properties Operations	(0.2)	0.4 *	-	-	(33.3)	(50.0)
Indirect Cost of Sales	(1.5)	0.1	0.1	+ 6.3	(1.8)	(1.3)
TOTAL AVAILABLE INCOME	30.7	2.1	13.0 *	- 29.7	36.2	35.8
EXPENSES						
Selling and Marketing	1.0	0.3	0.9	- 47.4	1.2	1.5
General and Administrative	0.8	0.1	0.1	- 11.1	0.9	0.7
Other Deductions(Income), Net	0.6	0.1	7.4	- 92.5	0.7	6.6
TOTAL EXPENSES	2.4	0.5	8.4	- 77.8	2.8	8.8
INCOME FROM OPERATIONS	28.3	2.6	4.6 *	- 14.0	33.4	27.0
Corporate Assessment, G & A	0.1	-	-	-	0.1	0.1
EARNINGS BEFORE INCOME TAXES	28.2	2.6	4.6 *	- 14.0	33.3	26.9
PROVISION FOR INCOME TAXES	11.2	1.0 *	2.0	- 15.2	13.2	10.8
NET EARNINGS	\$ 17.0	\$ 1.6	\$ 2.6 *	- 13.3	20.1	16.1
INTEREST INCURRED DURING PERIOD	\$ 2.8	\$ 0.3 *	\$ 0.4 *			
INTEREST INCLUDED IN COST OF SALES	\$ 5.0	\$ 1.7 *	\$ 2.6			

COMPARATIVE STATEMENT OF OPERATIONS - MISSION VIEJO REALTY GROUP INC.

Page K-2

2048049845



2048049846

HEADQUARTERS COMBINED

(in Millions)

----- FEBRUARY -----
Variance Fav./Unfav. (*)

1988	Budget	1989
\$2.5 *	\$1.4	\$15.5
2.1	-	(12.1)
0.4 *	1.4	3.4
CORPORATE EXPENSE		
Net Assessments		
CORPORATE EXPENSE, NET		
NON-OPERATING DEDUCTIONS		
82.2 *	3.4	116.4
-	0.1	0.1
48.2	8.1	(52.0)
-	-	-
0.1	0.1	(0.1)
\$34.3 *	\$13.1	\$67.6
=====	=====	=====

----- YEAR-TO-DATE -----
Variance Fav./Unfav. (*)

1989	Budget	1988
\$30.2	\$3.8	\$5.1 *
(24.2)	-	4.5
6.0	3.8	0.6 *
CORPORATE EXPENSE		
Net Assessments		
CORPORATE EXPENSE, NET		
NON-OPERATING DEDUCTIONS		
236.6	5.5	170.1 *
0.3	0.3	0.1
(102.6)	17.4	95.9
-	-	-
(0.3)	0.3	0.3
\$139.4	\$27.3	\$74.4 *
=====	=====	=====

2048049847

2048049848